SEK

AB Svensk Exportkredit

Annual Report 2018

SEK is to strengthen the competitiveness of the Swedish export industry to create employment and sustainable growth in Sweden.

Contents

How to read SEK's Annual Report

AB Svensk Exportkredit's (SEK's) Annual Report 2018 is an integrated report in which the sustainability report is included. The company's audited annual accounts and the consolidated financial statements are included on pages 8–133. The Report of the Directors can be found on pages 8–53. The Parent Company's results and assets correspond predominantly to those of the Group. Unless otherwise stated or when it is clear from the context, the information in these notes relates to the Consolidated Group and the Parent Company.

Alternative performance measures (APMs) are key performance indicators that are not defined under IFRS or in the Capital Requirements Directive IV (CRD IV) or in Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms (CRR). SEK has chosen to present these, either because they are in common use within the industry or because they accord with SEK's mission from the Swedish government. The APMs are used internally to monitor and manage operations, and are not considered to be directly comparable with similar key performance indicators presented by other companies. For additional information regarding the APMs, refer to www.sek.se.

SEK's Swedish corporate identity number 556084-0315, with its registered office in Stockholm, Sweden is a public company as defined in the Swedish Companies Act. In some instances, a public company is obliged to add "(publ)" to its company name. For more information about SEK's operations, refer to www.sek.se or contact SEK at information@sek.se or on +46 8 613 83 00. Design and production: SEK, with production support from Textfokus, Stockholm 2019. Images: Jan Danielsson, Shutterstock and SEK.
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This is SEK

Mission

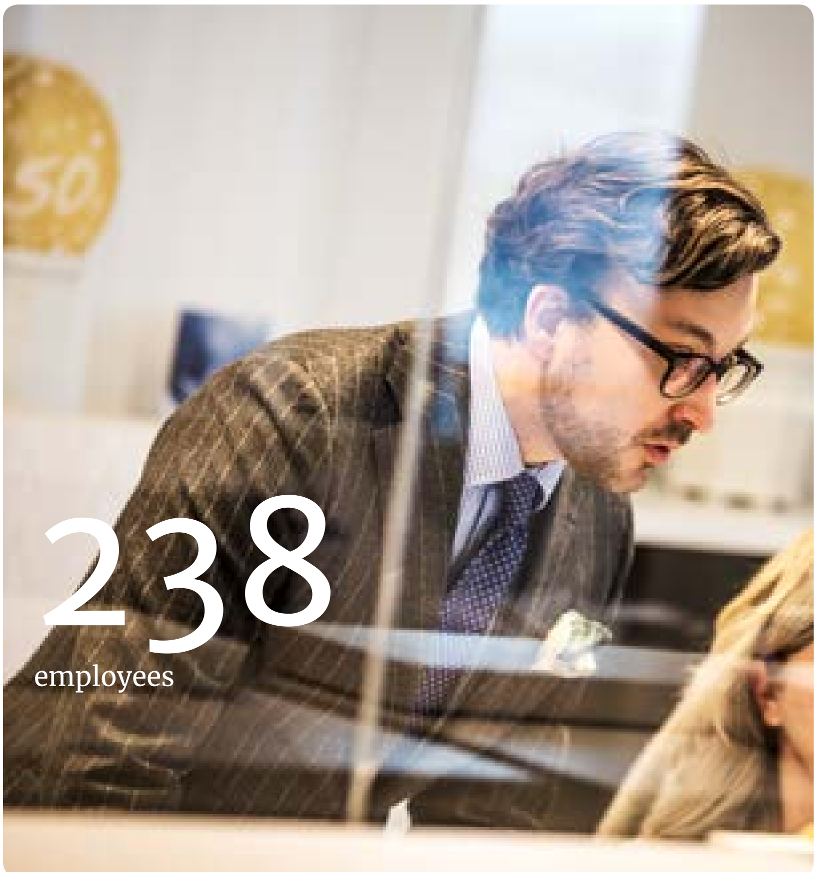
SEK's mission is to ensure access to financial solutions for the Swedish export industry on commercial and sustainable terms. The mission also includes administration of the officially supported CIRR system.

Vision

SEK is to strengthen the competitiveness of the Swedish export industry to create employment and sustainable growth in Sweden.

153

SEK currently has 153 clients within the Swedish export industry.



238

employees

SEK's offering

SEK has a great deal of experience and competence, as well as a broad offering of financing solutions. The offering is aimed at the Swedish export industry and buyers of Swedish products and services. SEK focuses on large and medium-sized companies with sales of more than Skr 500 million.

SEK's core values

Collaboration
Solution orientation
Professionalism

Rating

Standard & Poor's

AA+

Moody's

Aa1

SUSTAINABLE DEVELOPMENT GOALS

SEK contributes to meeting the UN Sustainable Development Goals.

Relations and collaboration

SEK has a strong network in international financing and close collaboration with many Swedish and international banks.

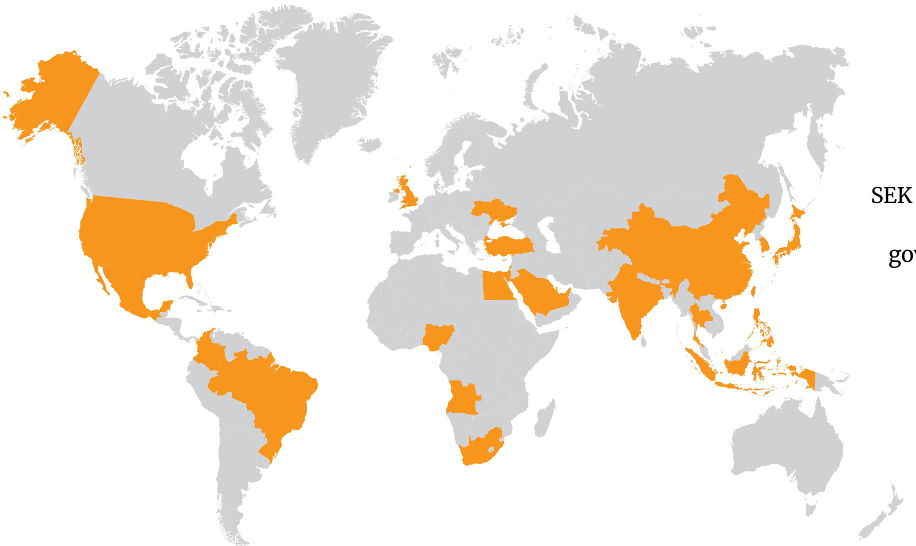
2018 in brief

During the year, SEK worked successfully to attract new clients, primarily medium-sized companies, which resulted in the company having more clients than ever. Both the strategy and the daily operations are permeated by a larger client focus. SEK has a strong financial position and good liquidity, and remains well placed to finance the Swedish export industry and to thereby strengthen Swedish exporters' competitiveness.

57
billion Swedish kronor in new lending

260
billion Swedish kronor in the total lending portfolio

852
million Swedish kronor in operating profit



SEK has lending in 22 (see map) of the 26 countries that the government's export strategy has identified as priority markets. In total, SEK has lending in 69 countries.

Return

3.6%

on equity

Green Loans

2.0

billion Swedish kronor in new lending

SEK's
Job satisfaction index 2018

67%

SEK's mission to strengthen the Swedish export industry is a powerful driver among the employees.

Partnership within Team Sweden

Within the framework of the government's export strategy, SEK develops partnerships with the other agencies in Team Sweden, including Almi, Business Sweden, EKN and Swedfund. That includes the establishment of regional collaboration and joint seminars.

Export Credit Trends Survey, December 2018:

CAREER COMPANY 2019

12%

More clients

The Career Company 2019 award entails that SEK is one of the most attractive companies in which to make a career, for both students and working professionals. SEK is also nominated in the Universum Awards as Newcomer of the Year 2019 for our work in identifying future talents.

Fossilfritt Sverige

SEK, together with the Fossil Free Sweden initiative, hosted the conference "Överskott på kapital men underskott på klimatinvesteringar – hur hjälper vi pengarna att hitta rätt?" ("Surplus of capital, but deficit in climate investments – how can we help the money to find its way?").

Level of satisfaction

97%

of our clients recommend us to others.

Through a more client-centric approach, SEK strengthens the export industry

2018 can be summed up as follows – a more client-centric approach. Over the year, SEK has evolved to create even more benefit for the Swedish export industry at the same time as we meet new prerequisites and requirements in our operating environment. With the objective of reaching more clients and of broadening our existing business, we have worked systematically to gain insight into our clients' needs, to identify our ability to meet these needs and, on that basis, to develop new offerings. Even if 97 percent of our clients could recommend us to others there is still potential for improvement.

In recent years, the global economy has grown vigorously and GDP growth increased to 3.7 percent in 2018, according to the International Monetary Fund. The US has experienced favorable growth together with substantial fiscal stimuli, but the growth forecast for 2019 has been contracted due to trade talks, particularly those with China. The global economic outlook worsened at the end of the year due to the economic slowdown, geopolitical unrest, escalated trade conflicts and Brexit negotiations.

Swedish exports, which reflect the global economy, were also positive. SEK's Export Credit Trends Survey found that exporters had strong finances, high employment and large export order intakes. Figures from Statistics Sweden show that the value of exports of goods increased 10 percent in 2018, and it was export of manufactured goods, automobiles and energy products that increased most.

"Between 2017 and 2018, the number of clients increased 12 percent."

Several central banks had raised their policy rates during the year. In December, the Riksbank raised the repo rate for the first time since 2011.

Following a decade with a declining trend, Sweden's share of the global market for the exports of goods has increased over the last two years according to Business Sweden. The share now amounts to 1.3 percent and the increase was largely due to the strength of the investment climate in Europe, the destination for 73 percent of Swedish exports.

Good access to capital for Swedish exporters has resulted in a year-on-year decline in new lending for SEK. SEK's new lending totaled Skr 57.0 billion (2017: Skr 89.3 billion). Another material reason for the downturn was that CIRR loans (traditional export credits) as a percentage of new lending were significantly down compared with last year. Export credits are often part of large volumes that occur more seldom, which means that new lending in this respect varies between years.

"66 percent of clients are of the opinion that the collaboration exceeded their expectations."

Every second year, SEK follows up its public policy assignment by conducting a survey. The 2018 client survey rated SEK extremely highly, both in terms of excellent business insight and high competence. 66 percent of clients are of the opinion that the collaboration exceeded their expectations, and 97 percent of clients could recommend SEK to others. This is a rare and outstanding rating for the finance industry, which makes SEK's employees and myself proud. At the same time, the results found that we could be more proactive and hone our offering. To meet these needs, we have started to develop the offering together with clients, which increases relevance and client advantage.

Future growth and employment in Sweden is expected to be driven by small and medium-sized enterprises. Therefore, SEK's strategy is to expand the offering toward more clients, mainly medium-sized companies, but also to deepen and broaden business with existing clients. Modernization and digitalization will allow us to shorten lead times in our internal processes and to integrate IT more deeply with the business. At the same time, we have to retain and attract the right competence to achieve increased client advantage and profitable growth.

"Future growth and employment in Sweden is expected to be driven by small and medium-sized enterprises."

SEK has been extremely successful with initiatives to reach new clients. Between 2017 and 2018, the number of clients increased 12 percent. We want even more clients to use the Swedish export credit system and SEK's export finance expertise.

To better meet client needs, two changes in the executive management were decided during the year. One aimed to connect clients and transactions more closely with the executive management by splitting the Lending business area into two separate functions, Large Corporates and Mid Corporates. The heads of these functions are now part of the management group. The second organizational change aimed at strengthening client focus and implementation capacity in our internal processes. Two new functions have been established: Business Development, Business Support and Transformation; and Strategic Partnerships and Relations. Moreover, the Accounting and Treasury units have been reorganized as one function under the CFO.

During the year, SEK deepened its partnership with other export promoters in Team Sweden at both national and regional levels. The establishment of regional export centers,

which is a key component of Sweden's export strategy, has resulted in SEK working even more closely with regional export promoters, mainly in the major metropolitan counties but we have also been active in Jönköping and Värmland counties.

As an export credit institution, SEK conducts sustainability assessments in line with the OECD's regulations and other relevant international frameworks for export and project financing. In 2017, we adopted the Equator Principles, providing us with another tool for assessing and managing environmental and societal risks in conjunction with financing projects and export credits. International guidelines, primarily the UN Global Compact and the global Sustainable Development Goals, show the way forward for our sustainability efforts.

Together with other organizations, SEK has endeavored to identify financing solutions for Swedish environmental technology exports for areas including sustainable cities and communities. One of the challenges when financing sustainable cities is that this often entails one larger buyer who sources from many different Swedish exporters. The aim is to provide a more detailed clarification of our compiled Swedish offering in the future. The rapid pace of societal development, together with new technical solutions and digitalization, creates favorable opportunities for sustainable export solutions. Sweden's export industry has many innovative solutions in demand globally and, therefore, has considerable opportunities to influence sustainable development globally.

For 57 years, SEK has successfully strengthened the Swedish export industry and built strong relationships with clients, banks and business partners around the world. Today, we have more clients than ever before. With satisfied clients and committed employees, we will continue to strengthen the competitiveness of the Swedish export industry and to help create employment and sustainable growth in Sweden.

Stockholm, February 21, 2019

Catrin Fransson
Chief Executive Officer

Business environment factors that impact operations

Global trends give shape to the future, both for Sweden's export industry and the finance industry. SEK has identified four trends that will impact the company's operations over the forthcoming years.

Sustainability and climate issues

Throughout the world, work is in progress to adjust to a sustainable future based on the UN's Sustainable Development Goals (SDGs). A green technology shift is creating opportunities for Sweden to export environmental technology and expertise for such areas as sustainable urban development. The market for green bonds is growing and the market for SDG bonds is expected to gather momentum. The EU has prepared a sustainable financing action plan, which is also expected to influence the finance industry over the next few years.

SEK's sustainability efforts are integrated throughout the organization. Green financing, that is, the mobilization of capital for green and sustainable development, particularly in urban development, will generate new business opportunities for SEK and enhanced possibilities to create value for clients and society.

Digitalization

The ongoing technological development is creating new business models in all industries, not least the financial sector. The company will use the opportunities offered by digitalization as a means for achieving key objectives. Many companies and organizations need to adapt and manage their heritage and culture to be able to bring assignments, work methods and offerings into a world that, in certain respects, looks different to the way it did only a few years ago. The major challenge does not lie in the technology, but in the adjustment itself.

Efficiency enhancements, smart IT solutions and work with skills will be significant components of SEK's development moving forward.

Finance and policy

Growth in the world is expected to slow somewhat, from a high level of just over 3 percent. It is primarily the emerging economies that are driving growth, while the mature economies are performing more sluggishly. The continued low short-term interest rates are positive for essentially the entire world. However, there are considerable risks in the form of trade wars and political concerns in various parts of the world.

The basic scenario entails that exporters still have favorable growth opportunities, particularly in the emerging markets. Continued low rates of interest also augur well for a positive investment climate. The relatively favorable economic climate, however, also means continued healthy earnings and strong balance sheets, which dampens the demand for credit. A continued positive economic climate also supports a continued well-functioning capital market and risk appetite among the banks.

Regulations

The large amount of regulations that followed on from the financial crisis is starting to abate, but there is still a large number of imminent changes in the area of risk.

The areas where new regulations or more detailed supervision will have the greatest impact on SEK in the next few years are credit risk and operational risks, with a particular focus on IT-related risks.

The regulations for the methods of internal risk classification (the IRB approach or the internal method) will undergo a number of changes. For example, the Swedish FSA has communicated that Swedish banks' risk classification methods will need to change considerably as a result of the amended regulations – amendments that require the Swedish FSA's approval.

Business environment monitoring is conducted to identify regulatory changes and to assess their effect.

Commercial and sustainable terms

SEK is tasked with conducting lending operations on commercial and sustainable terms, with the aim of promoting the Swedish export industry by offering financing solutions that directly or indirectly promote Swedish exports.

SEK's mission

SEK's mission is to ensure access to financial solutions for the Swedish export industry on commercial and sustainable terms. SEK lends money to Swedish exporters that want to export and to their foreign customers that want to buy Swedish products and services.

The mission also includes administration of the officially supported CIRR system. CIRRs (Commercial Interest Reference Rates) allow exporters' customers to be offered financing at fixed interest rates.

SEK is owned by the Swedish government and is governed by the owner instruction and ownership policy.

SEK is a member of Team Sweden, which is made up of the Swedish state export promotion agencies, including Business Sweden and the Swedish Export Credits Guarantee Board (EKN), and works to realize the government's export strategy. SEK and the EKN jointly constitute the Swedish export credit system.

Sustainable terms

SEK wants to set an example with regard to sustainability topics and to drive development in sustainable business forward. SEK does this mainly by setting requirements when lending. Know your customer and sustainability assessments are conducted for all transactions prior to granting credit.

In conjunction with its lending, SEK's most material sustainability topics are anti-corruption, environmental and climate impact, labor conditions and human rights. Read more in sustainability notes 3, 5–8.

As lender, SEK has a responsibility for ensuring that the financed transactions comply with international sustainability guidelines. Read more in Sustainability Note 4.

The UN Sustainable Development Goals are part of Agenda 2030. The Agenda contains 17 Global Goals aimed at eradicating poverty and hunger, realizing human rights, and securing lasting protection for the planet and its natural resources. SEK works with the Global Goals, primarily Goal 11 – Sustainable Cities and Communities, in its strategy and its operations.

Voices from stakeholders

Swedish efforts to promote Swedish exports is conducted in collaboration with a number of other organizations. To achieve the optimal outcome and efficiency, it is important that a stakeholder dialogue is held between the parties involved.

SEK's stakeholders

SEK's stakeholders are its owner (the Swedish government), the exporters financed by SEK, investors, banks, Team Sweden, employees and stakeholder organizations with an interest in the company's sustainability work. Read more about SEK's Stakeholder engagement in Sustainability Note 2.

"SEK provides good service and competent employees that understand the transaction."

Client to SEK

"One way of driving development in the right direction is to set requirements for financing. For example, require the borrower to contribute to research and innovation that promotes preventative and improved initiatives to benefit children."

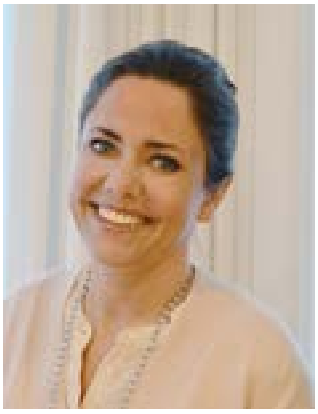
Malin Dahlberg, Save the Children

"If Sweden is to prepare different solutions for smart cities, it is important that the financing models that are in place take into consideration the complexity of the transaction. There are numerous different participants, systems and products that have to work together if the solutions are to be successful."

Will Sibia, Vice President, Sustainable development at Sweco

"It would be good if SEK had greater interest in lower value transactions."

Client to SEK



"SEK has progressed from close dialogues with clients to practical partnerships. Today we are preparing new offerings together with our clients. This increases accuracy and makes them more relevant."

Miriam Hardt, Business Developer at SEK

"SEK should take the lead and not finance fossil energy at all because that is not in line with the Paris agreement."

Anna Östergren, Swedish Society for Nature Conservation

Client-centric strategy

SEK's strategy is client-centric and is based on the mission, macro-economic factors, stakeholders and the core values that guide our operations.

Strategy

SEK has a key role in strengthening Sweden's export industry and contributing to increased growth and employment in Sweden.

Small and medium-sized enterprises are expected to be the prime drivers of future growth and employment in Sweden. Therefore, SEK's growth ambitions have focused on reaching more clients in the medium-sized company segment. At the same time, SEK will broaden its business with existing clients. New technology and digitalization make it possible for SEK to offer greater advantage to more companies, and to do so with increased profitability.

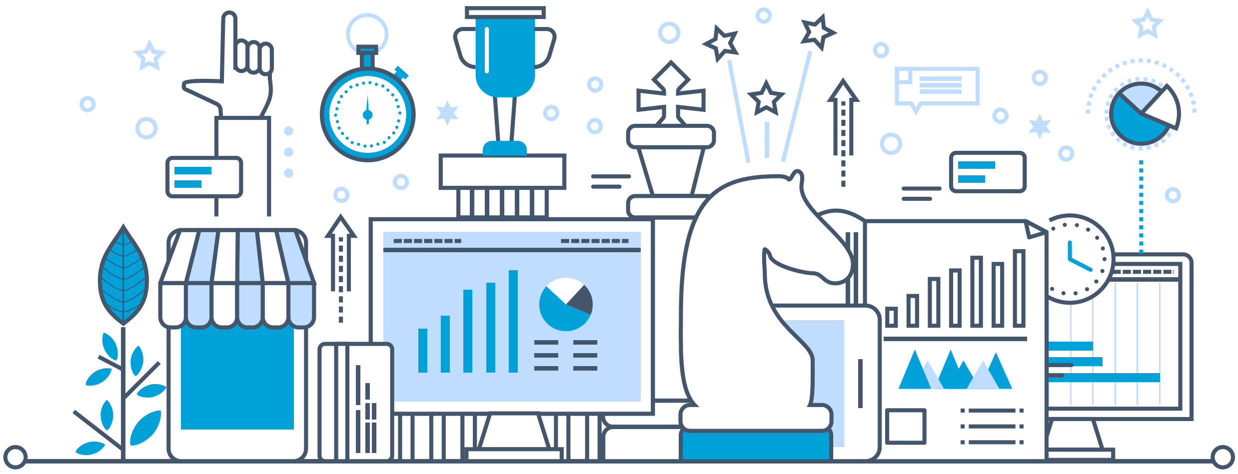
New clients will be processed regionally, through partnerships and through a raised presence in our local networks. One method of reaching more clients is to increase awareness of SEK. SEK will primarily utilize targeted marketing initiatives to this end.

SEK's business development will be achieved partly through new offerings that are based on identified client needs, and partly by modernizing and automating SEK's internal processes. For SEK, close dialogues with clients are key to understanding their needs and challenges. Partnerships have been deepened and today, business development is conducted together with the clients.

Core values

SEK's core values are a prerequisite for succeeding with the strategy. A sustainable workplace starts with healthy values. How employees of SEK behave and interact with one another and clients has an impact on the corporate culture.

Together, SEK's employees have prepared a set of core values that guide us in our various professional roles. This is based on employees in their occupational roles endeavoring to be solution-oriented and professional, as well as working to achieve results.



Partners and collaboration

A large part of SEK's transactions derive from collaboration with banks throughout the world. Collaboration with Swedish and international banks, development banks, Almi, Business Sweden and the EKN continues to be important.

Swedish environmental expertise and Swedish exports have much to contribute to sustainable urban development in many parts of the world. Therefore, SEK has chosen to focus on UN Sustainable Development Goal No. 11, Sustainable Cities and Communities. To develop new business opportunities in sustainable urban development, SEK will focus on collaboration with a selection of international and Swedish EPC companies (Engineering, Procurement & Construction), international banks and exporters that are active in this area.

Strategy

- Deepening relationships with existing clients
- Attracting new clients
- Modernizing and digitalizing
- New business opportunities through partners and collaboration
- Efficient client-driven processes

Sustainability strategy

- Client offering with a sustainability focus
- Borrowing linked to the UN Sustainable Development Goals
- Corporate culture, where employees feel included, are motivated and assume responsibility.

Targets and outcomes

SEK's strategy is to attract new clients and to deepen relationships with existing clients through digitalization, collaboration and client-driven processes. The prioritized targets are as follows and the next page includes a follow-up of the public policy assignment.

		2018 TARGETS	2018 OUTCOMES	2019 TARGETS
Profitable growth	Number of new clients	18	17	65
	C/I ratio	0.34	0.41	-
	Client Satisfaction	>80%	91%	>80%
Swedish export industry's competitiveness	Value added for clients through export credits[1]	>60%	73%	>60%
A sustainable workplace	Diversity: Percentage of women in management positions	>40%	41%	-
	Diversity: Number of employees with a foreign background	>25%	33%	-
	Empowerment[2]	-	76	78
	Attractive employer[3]	-	77	80
Green financing	Green loans	Skr 3.0 bn	Skr 2.0 bn	-
	Lending to sustainable urban development	Skr 1 bn	Skr 1 bn	-
	Number of green loans	-	14	10

		2018 TARGETS	2018 OUTCOMES	LONG-TERM TARGETS
Financial targets[4]	Return on equity	4.7%	3.6%	6%
	Dividend policy	30%	30%	30%
	Capital target	17.7–19.7%[5]	20.1%	See footnote 5

[1] Proportion of the client survey that perceives that SEK's export credits contributed significantly or very significantly to the execution of their export transactions.
[2] See definitions on page 137.
[3] See definitions on page 137.
[4] The general meeting of shareholders has decided the long-term financial targets for SEK.
[5] According to the capital target, under normal conditions, SEK's total capital ratio is to exceed the Swedish FSA's capital adequacy requirement by 1 to 3 percentage points.

Comments on Target attainment

SEK gained 17 new clients in 2018. The target level for 2019 has been significantly increased in accordance with the strategy of attracting new clients by new offerings and structured client processing. As of 2018, SEK has a new employee survey, making it impossible to follow up on the targets established for 2018. To focus on the ambition of reaching out with SEK's offerings to more clients, the target for green loans and lending for sustainable urban development has been changed from a volume-based target to a target for the number of new loans, where green loans are connected with the UN Sustainable Development Goals. The financial targets are established by the owner and are to be viewed over a longer horizon.

Follow-up of the public policy assignment

SEK's administration of the official supported export credit system (CIRR system) is a specially commissioned public policy assignment by the Swedish parliament. The benefit to the national economy of this mission should be evaluated partly by measurement of the added value that SEK creates in terms of export credits (of which CIRRs comprise a part) and partly through the stakeholder dialogue.
The stakeholder dialogue is presented in Sustainability Note 2.

SEK follows up the public policy assignment using a biennial client survey. Below is parts of the results from the most recent survey that was conducted in 2018.

1. *"Have SEK's export credits helped execute clients' export transactions?"*
   73 percent of clients who had engaged SEK's services for export credits stated that SEK's credits had contributed significantly or very significantly to the execution of their export transactions. This can be compared with 63 percent in the preceding survey.

2. *"The reason why the exporters decided to collaborate with SEK"*
   The responses are shown as open replies, in which the clients say, for example, that SEK has excellent understanding of business and that they want to partake of SEK's competence. Other reasons stated are access to CIRR and that SEK is a bargaining tool for sales.

3. *"Did the collaboration match the client's expectations?"*
   66 percent of clients stated that the collaboration exceeded their expectations. 28 percent responded that the collaboration significantly exceeded their expectations. The corresponding figures for the 2016 client survey were 73 and 18 percent, respectively.

4. *"How SEK can further improve its offering of export credits"*
   Approximately two thirds of the clients considered SEK as proactive, but that it had improvement potential in this respect and scope to increase its proactivity.

5. *"How the clients perceived the Swedish export credit system compared with corresponding systems in key competing countries"*
   73 percent of the client companies consider the Swedish export credit system to be better than the systems in key competitor countries. The corresponding figure for 2016 was 87 percent.

Value creation and business model at SEK

SEK's mission, core values and strategy are the basis for its operations The model shows how capital in the form of resources and relations are used and employed to generate value for various stakeholders and to fulfil SEK's mission.

The resources SEK uses

Financial capital
Equity **Skr 18.2 bn**
Borrowing in the capital market **Skr 257.8 bn**
Green borrowing **2%**

Human capital
Employees **238**
Consultants **32**

Relationship capital
Team Sweden
Swedish and international banks
Investors

Intellectual Capital
Policies and instructions
IT systems and processes
High credit rating AA+, Aa1
Sustainability rating, prime

Environmental capital
Office emissions CO_2e **82**
Business travel emissions CO_2e **438**
Carbon offsetting CO_2e **520**

Lending to Swedish exporters and their customers around the globe.

Raising capital in the international capital market

Value SEK creates

Clients

Loans outstanding including committed undisbursed loans – exporters **Skr 90 bn**
– exporters' customers **Skr 170 bn**
Satisfied clients **91%**
Value added by export credits **73%**

Employees

Women/men in management positions **41/59%**
Employees with foreign/Swedish background **33/67%**
Empowerment **76%**
Attractive employer **77%**

Society

Indirect contribution to Sweden's GDP **Skr 36 bn**
Indirect contribution to number of job opportunities **48,000**
CIRR loans outstanding **Skr 69.9 bn**
Income tax paid **Skr 366 million**

Lending

Green lending **Skr 7,7 bn**
Fossil-related lending **Skr 2.5 bn**
Other lending **Skr 249.8 bn**

Owner

Dividend **Skr 194 million**
Return on equity was **3.6%**

Client offering

SEK strengthens the competitiveness of the Swedish export industry. SEK's financing solutions empower more Swedish companies to grow. This may involve, for example, becoming established in new markets, expanding production capacity or developing new products.

SEK lends money to companies in Sweden that want to export and to foreign clients that want to buy Swedish products and services. Apart from a variety of financing solutions, clients are given assistance to grow globally. With lending in 69 countries, SEK has extensive experience of export financing, which gives the companies competitive advantages in the international market.

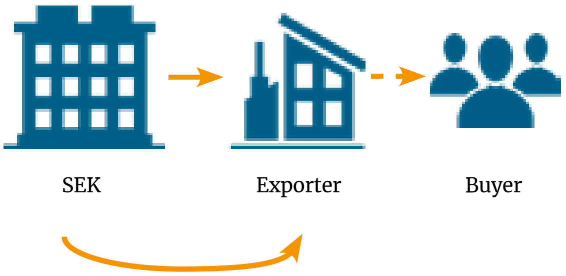
Financing solutions are decisive in enabling the Swedish export industry to secure even more export business and, accordingly, SEK will continue to develop financial solutions so that more Swedish flags can be placed on the international export map.

Collaboration boosts exports

Collaboration between SEK and the EKN creates a highly competitive export credit system that offers financing and guarantees to the Swedish export industry. Since SEK also collaborates other export-promoting agencies, including Almi and Business Sweden within the framework of the government's export strategy and Team Sweden, SEK's clients have access to the entire Swedish export-promoting system. Moreover, SEK has extensive partnerships with international banks that benefit Swedish exporters and their customers.

System export

SEK has, together with other market participants, endeavored to offer financing for the export of systems, which entails the export of more products or services, with many suppliers contributing. This is to enable Sweden to capture a position as a leading supplier in terms of the export of systems for uses including the development of sustainable cities. One of the challenges is to coordinate a financing offering from numerous suppliers to one single purchaser.



SEK lends to Swedish exporters

SEK finances companies with operations that are linked to Swedish interests and exports. The export industry link can be direct or indirect in the form of subcontracts to an exporter. The export may pertain to goods or services. The loans can be made with short or long tenors and be disbursed in several different currencies.

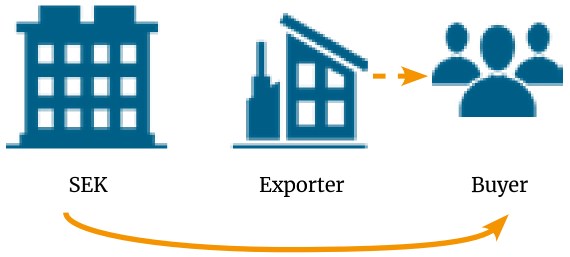
Supplementary offers

A supplement to the commercial bank
SEK makes all businesses directly with the companies or in collaboration with Swedish and international banks. SEK does not compete for the bank's other services.

Fixed interest offer using the CIRR system
SEK administers the officially supported CIRR system, which, in simple terms, means that the exporter can offer its customer a fixed interest offer (CIRR), which is valid for four months. The CIRR complies with the OECD's guidelines to ensure that individual countries do not favor their export industry in the wrong way and that it is updated each month. The companies' exporting clients can apply for CIRRs free of charge as a complement to SEK's other financing products.

Loans in local currencies
The interest in loans in the currency in which a company operates is growing among Swedish exporters and their customers. SEK can offer a variety of currencies for our various financing solutions. In addition to Skr, EUR and USD, SEK offers loans in local currencies, such as Mexican pesos and Turkish lira.

Guarantees as security for customers' financing
SEK has close collaboration with the EKN and private insurance companies. In addition, SEK is included in the EIF's InnovFin program for small and medium-sized enterprises (EIF, European Investment Fund). In this manner, SEK can, in collaboration with partners, secure its clients' financing with the support of guarantees.



SEK lends to Swedish exporters' buyers

Buyers of Swedish goods and services may be offered export credits. In Sweden, there are most often three parties involved in an export credit: a bank, EKN and SEK, with EKN guaranteeing most of the commercial and political risk and where SEK provides the finance.

Export credits – SEK as a lender
The bank serves as the arranger and agent for the loan. When the loan agreement is signed, the loan and the guarantee are transferred to SEK. This makes SEK the lender and the loan ends up in its entirety on SEK's balance sheet. The bank issues a guarantee for the remaining risk.

Export credits – SEK as joint arranger
SEK may participate in a financing consortium on equal terms with the participating bank or banks, meaning that all parties share the residual and documentation risk. Each bank that participates can transfer its share of the loan to SEK.

Financing accounts receivable
SEK can strengthen its client companies' liquidity and risk capacity by financing or discounting the accounts receivable of Swedish exporters. This is usually done together with a bank.

Customer Finance
SEK offers financing in the form of leasing and installment plans for export transactions that utilize capital goods as collateral. This is based on collaboration and that SEK can engage in risk-sharing with the individual exporter, which enables smaller-scale transactions in various markets.

Project Finance
Project finance is an alternative to other forms of financing for export transactions, and is often a key instrument in the sale of projects with a Swedish export element. SEK makes long-term contributions and aims to be part of the project throughout the entire lending period.

Case: Hedmarksvegen

SEK is a proud financer of Skanska's Rv3/Rv25 Ommangsvollen – Grundset/Basthjørnet road project. This is one of Norway's all-time largest road projects and is the first public private partnership (PPP) project to be conducted in Norway for more than ten years. The project comprises a 16 km four-lane motorway and a 9 km two-lane highway that will improve the road connection between Oslo and Trondheim, particularly for road freight, and which links Hamar and Elverum together for commuters. SEK is financing the project together with SEB.

Ground was broken in 2018 and the expected completion date for the project is the end of 2020.

Skanska is one of the leading development and construction companies in the Nordic countries, with operations in building construction and civil engineering in Sweden, Norway and Finland.

The project will set a new standard for the construction industry in terms of sustainability. The aim is to meet sustainability targets through CEEQUAL certification, an internationally recognized classification scheme for construction and infrastructure projects.

Facts

Amount: NOK 1.47 billion
Start: 2018
Maturity: 2020–2040 (3 loans)
Borrower: Hedmarksvegen
Joint financers: SEB

Sustainability

The project is classed as a category A project under the Equator Principles, which means that SEK has performed an in-depth sustainability review and assessed the project as having the ability to meet international standards for societal and environmental consideration.

Case: SEK finances Ekman & Co AB

Ekman & Co AB is one of the world's oldest trading houses and was founded at the start of the 1800s. Based in Gothenburg, the company conducts global trading operations in forest-related products. Many Swedish and international exporters use Ekman as a window on the world, which makes the operations an important catalyst for the export industry. Ekman & Co AB is represented in over 100 countries and has more than 40 sales offices around the world.

Facts

Transaction: Working capital
Currency: USD
Start: 2018
Borrower: Ekman & Co AB

Sustainability

Know your customer and sustainability assessments have been conducted, as is SEK's standard practice in all transactions. The checks mean that the business transaction is analyzed to assess the risk of money laundering and financing of terrorism, the risk of corruption, negative environmental impact, human rights and labor conditions.

Team Sweden at national and regional levels

In 2018, SEK deepened its partnership with other export promoters in Team Sweden at both national and regional levels. Business Sweden and EKN are promoters with whom SEK works closely. The establishment of regional export centers has resulted in SEK working more closely with regional export promoters, mainly in the major metropolitan counties but also in Jönköping and Värmland counties. Collaboration raises SEK's exposure and thus generates greater opportunities to offer finance to Sweden's export industry.

SEK and EKN held a joint stakeholder dialogue in Stockholm in autumn 2018 with participants including the World Wildlife Fund, the Swedish Society for Nature Conservation and Save the Children.

Swedish Export Academy 2018. Participants in SEK, EKN and Business Sweden's Swedish Export Academy program visited SAAB on April 11, 2018.

SEK holding a joint seminar together with SIDA and EKN at Almedalen, July 5, 2018.

Minister for Enterprise and Innovation Mikael Damberg inaugurates the regional export partnership in Uppsala, April 13, 2018.

Inauguration of Sthlm Global – the regional export partnership in Stockholm county, May 24, 2018.
In the photo: Sven-Erik Österberg, Governor of Stockholm County, Catrin Fransson, CEO of SEK and Mattias Sörensen, President of YouBed

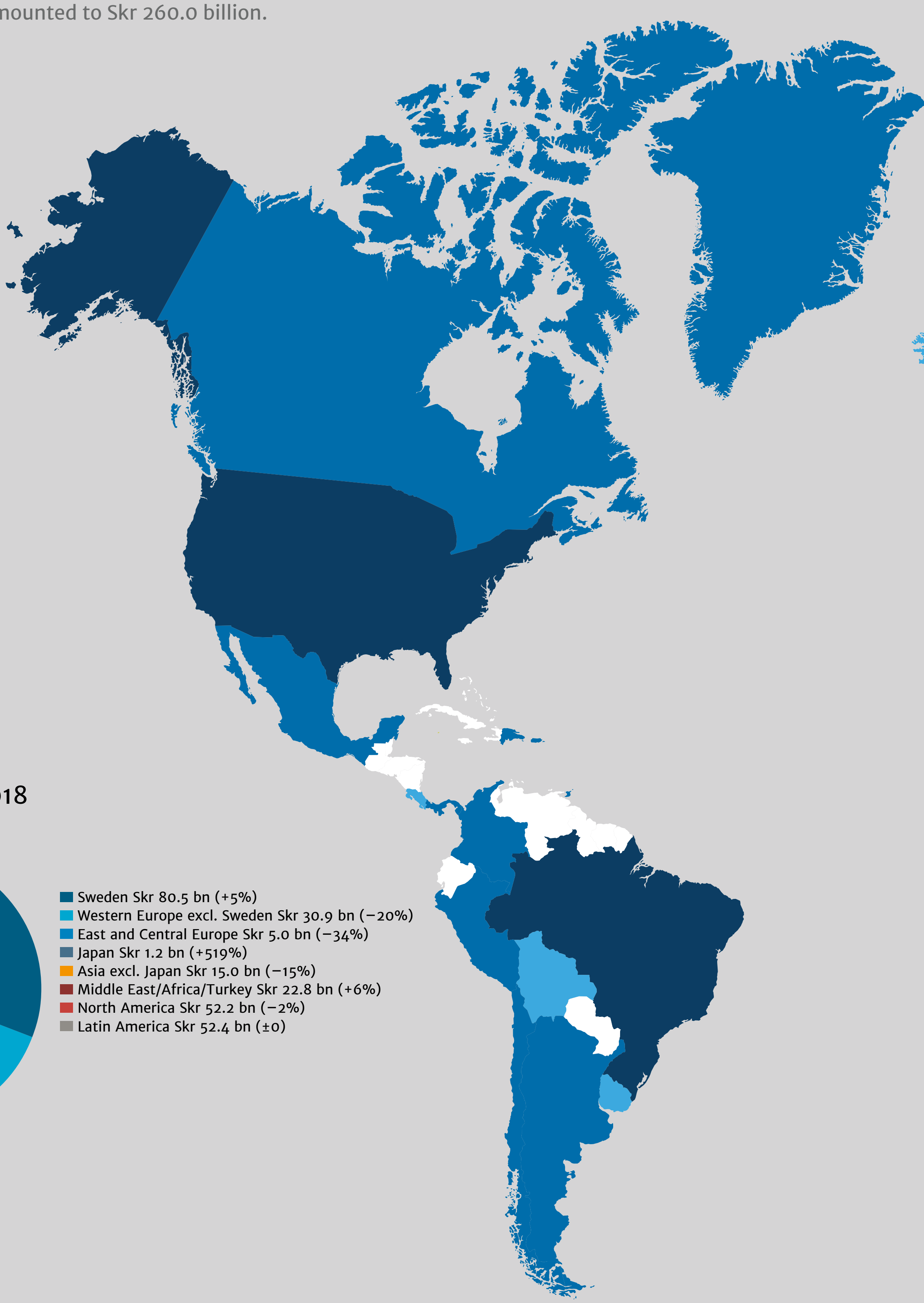
Anna-Karin Jatko, Director General of EKN and Catrin Fransson, CEO of SEK.

Björn Olsson, account manager at SEK being interviewed in conjunction with the opening of the regional export partnership in Karlstad on August 15, 2018.

SEK at the export lunch in Jönköping together with ITAB, Nordea and Jönköping Chamber of Commerce on September 28, 2018.

Lending worldwide

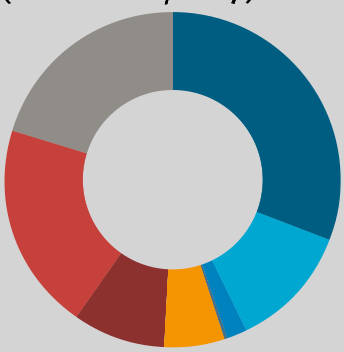
The map shows the countries where SEK has lending to Swedish exporters or buyers of Swedish goods and services. At December 31, 2018, the total volume of loans outstanding and undisbursed loans amounted to Skr 260.0 billion.

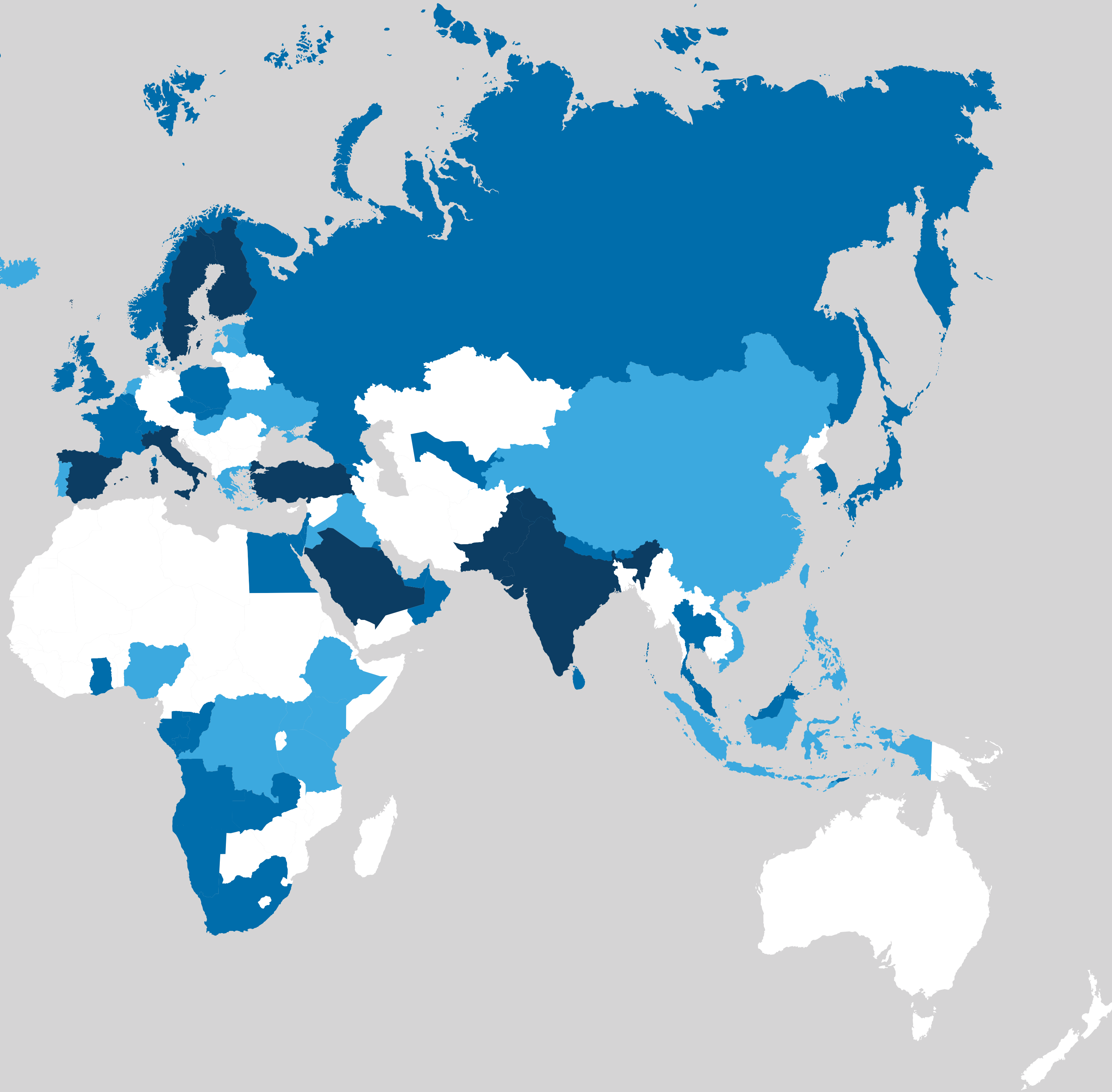


Lending, Skr mn

- 0
- 1–300
- 300–3,000
- >3,000

Lending by region 2018 (trend 2018/2017)





Client needs in focus as SEK develops its offering

SEK's ambition is to reach out to more clients, particularly medium-sized companies, to enable more Swedish export transactions. The starting point for this initiative has been the needs of existing and future clients.

In 2018, SEK was very active in developing its offering, reaching new clients and broadening its business with existing clients. The number of clients increased in 2018 by 12 percent to a total of 153 clients, which is the highest number in the company's history. In total, SEK signed new loan agreements corresponding to Skr 57.0 billion (89.3) for the Swedish export industry and its customers during the year.

SEK's offering within Accounts Receivable Financing performed very well during the year. Increasing numbers of clients are seeking solutions to improve their working capital and to be able to offer their customers better payment terms. SEK's Customer Finance offering also performed well and the transaction volume increased during the year. These transactions are made in partnership with the clients' own finance companies and the largest markets in 2018 were the US, Spain and Vietnam. However, the number of transactions in Export Credits and Corporate Lending was down on previous years due to lower demand and a healthy supply of attractive financing in the market.

To better be able to meet client needs, SEK implemented an organizational change in October, when the Lending business area was split into two separate functions, Large Corporates and Mid Corporates. As a result of this measure, several new recruitments will be made to the business side in 2019.

During the autumn, a customer survey was conducted that demonstrated a very strong result in terms of the experience of and attitude to SEK. 97 percent of clients could recommend SEK to others. The Swedish export credit system is now a competitive advantage for the Swedish export industry against international competition. 73 percent of SEK's clients consider the Swedish export credit system to be better or much better than the systems in competitor countries.

How an export credit is handled

1. Customer contact: In conjunction with an exporter and a buyer negotiating a contract of sale one of the parties contacts a bank to arrange an export credit, if winning the contract so requires. The bank and SEK suggest a financing solution, which often includes a guarantee from EKN.

2. Indicative offer: SEK issues an offer to the exporter or the arranging bank. SEK can offer financing at market interest rates or at the commercial interest reference rate (CIRR), which is set by the OECD.

3. Deeper collaboration: If the exporter wins the contract, a deeper analysis is initiated at the bank, EKN and SEK. This analysis includes both a credit and a sustainability analysis of the export transaction and its parties in line with the respective institution's routines.

4. Binding offer and contract: Thereafter, the bank or SEK draws up a loan agreement that includes items such as credit periods and sustainability issues.

5. Signing contracts and loan disbursement: When the loan agreement has been signed, the loan is disbursed to the exporter according to the payments schedule agreed by the exporter with the buyer. The buyer then makes capital and interest payments according to the plan set out in the loan agreement, normally on a six-monthly basis.

Responsible credit granting creates sustainable business

SEK strives to provide efficient, sound and sustainable credit granting in conjunction with all lending. This requires in-depth knowledge of our operating environment, clients and business.

How SEK works with credit analysis

1. When a business enquiry is received, the account manager at SEK carries out know your customer (KYC) and sustainability assessments on the parties in the deal. A basic requirement of any business transaction is that SEK obtains a level of KYC that meets the requirements in the applicable laws and regulations pertaining to money laundering and terrorism financing.

2. The account manager involves credit analysts who carry out a counterparty risk classification and a transaction credit risk assessment.

3. If a more in-depth sustainability review is required due to higher risk at country, counterparty or transaction levels, the account manager engages a sustainability analyst. The sustainability assessment covers areas such as human rights, including labor conditions, corruption and environmental impact.

4. The account manager structures the transaction and compiles documentation ahead of credit decisions, including profitability and the rating, credit and sustainability analyses.

5. Account managers, credit analysts and, where necessary, sustainability analysts participate when decisions are taken by SEK's Credit Committee.

6. The loan is followed up at least once per year in an annual report.

The importance is constantly increasing of more highly developed credit analysis of new and existing counterparties to leverage business opportunities and meet regulatory requirements. The analysis models are continuously reviewed in pace with changes in SEK's macro environment. In 2018, SEK implemented the IFRS 9 regulation with a new model for the measurement of expected credit losses. In practice, this entails a more frequent and detailed follow-up of SEK's credit risks.

2018 marked the first full year of SEK's membership of the Equator Principles, a globally recognized framework for assessing and managing environmental and societal risks in conjunction with financing projects. During the year, SEK's organization was adapted to comply with the principles of the framework. SEK has also complied for many years with the OECD's Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence, see Note 27 and Sustainability Note 8.

The credit portfolio has predominantly an extremely high credit quality. Just over 90 percent of SEK's exposure is against risk counterparties who have a risk classification corresponding to investment grade. SEK's mission and longstanding partnerships with large exporters is reflected in a concentration in its lending portfolio. SEK's collaboration with the European Investment Fund, whose work is aimed at innovative Swedish exporters, was strengthened during the year, resulting in several joint transactions.

In its business transactions, SEK often uses risk mitigation measures, primarily through guarantees from the EKN and other government export credit agencies in the OECD, and in certain cases credit derivatives. This leads to relatively large differentials between exposures before risk mitigation (gross exposures) and exposures after risk mitigation (net exposures) based on geographic location and industry.

The portfolio has favorable spread in terms of geographies and industries before taking into account risk mitigation, while net exposures are more concentrated.

Borrowing, liquidity and green financing

SEK should always be able to lend funds to the Swedish export industry, even during times of financial turbulence. This can be safeguarded through maintaining diversified borrowing and high liquidity. SEK strives to maintain the company's solid credit rating and the favorable reputation that it has earned through its longstanding experience and presence in the world.

Borrowing and liquidity

Bond issue
SEK borrows funds using several different instruments in various geographic markets and targets both institutional and private investors. SEK also issues green bonds to finance green loans.

New lending capacity*
Part of the liquidity portfolio forms a contingency for new lending in the event of poorer access to the capital markets.

Collateral*:
SEK neutralizes market risk through derivative contracts. SEK also has collateral agreements in place with all counterparties to neutralize the counterparty risk that arises in conjunction with derivative contracts.

Committed undisbursed loans*
Lending commitments that are as yet undisbursed have been funded in advance as SEK does not assume any refinancing risk.

New lending including disbursement of committed loans
By matching the maturities of available financing with lending, SEK ensures that it can meet its obligations. This applies to all of lending commitments, for both loans outstanding and committed undisbursed loans.

* SEK holds liquidity investments as a contingency for disbursements of new loans and committed loans as well as for payments under the collateral agreements SEK has in place with derivative counterparties.

In 2018, the market was dominated by heightened concerns about protectionism and trade barriers, which have inhibited the world market. Despite geopolitical concerns, liquidity in the capital market was favorable.

During the year, SEK issued several public benchmark bonds that were well received by investors, including four in USD totaling USD 4.3 billion. A large volume of structured debt was also issued during the year. SEK continued to be active on the Japanese Uridashi market, for example, where it remains one of the largest foreign issuers in the world, although borrowing was less in 2018 that in the preceding year.

During the year, SEK completed approximately 170 borrowing transactions in nine currencies at a total volume of Skr 60.4 billion, compared with approximately 250 transactions in 12 different currencies at a total volume of Skr 82.4 billion during 2017.

SEK continues to maintain high liquidity for new lending and remains well prepared to meet the future financing needs of the Swedish export industry.

Green loans

SEK provides green loans for exports that promote a transition to a climate-neutral economy and to meet the UN Sustainable Development Goals. An increased volume of green loans contributes to increasing exports of Swedish environmental expertise worldwide and is also a profitable business for SEK, refer to Sustainability Note 6.

Green bonds

By issuing green bonds in international capital markets, SEK finances green loans using money from investors who want to make a difference for society and the environment. To date, SEK has issued a green bond of USD 500 million. The funds from the bond has now been allocated to green projects.

A sustainable workplace means sustainable employees

A sustainable workplace starts with healthy values. How employees of SEK behave and interact with one another and clients has an impact on the corporate culture. SEK's core values are based on us being professional, solutions oriented and that we collaborate.

Leadership and employeeship

In a sustainable workplace, employees can thrive and develop together. During the year, both managers and employees had training in coaching leadership. The purpose is to create a culture characterized by openness and mutual responsibility.

Employee survey

According to the employee survey, work tasks, the company's image and personal development are the factors that mainly impact employees' commitment. In the employee survey for the year, SEK achieved a work satisfaction index of 67 (benchmark in the finance market is 70) and a loyalty index of 77. SEK's mission to strengthen the Swedish export industry is a powerful driver among the employees, but also among applicants for vacant positions.

Competence and development

SEK needs to continuously develop, improve and bring in new competence. One way of developing is to assume increased responsibility or through internal job rotation, which SEK encourages. Another possibility is through the Swedish Export Academy, a training program conducted by Business Sweden, EKN and SEK. The program offers personal development, while the collaboration between the organizations and Team Sweden is improved.

Diversity and work environment

SEK aims to be a workplace where equality and diversity are naturally included. SEK will also work for a healthy and safe work environment, as well as showing respect for human rights.

Every year, SEK establishes goals for its diversity work. One goal is to achieve as even a gender distribution as possible in executive management and other management positions. At year-end 2018, the proportion of women in management positions was 41 percent and the proportion of men 59 percent. Another goal is that the number of employees with a foreign background should exceed 25 percent. Currently, a third of SEK's employees have a foreign background.

Procurement of products and services

A well-functioning procurement process is important if SEK is to have cost-efficient operations and to ensure that supplies meet SEK's sustainability requirements.

At year end, 99 percent of SEK's suppliers had committed to comply with SEK's Code of Conduct for Suppliers or demonstrated that they have an equivalent approach.

Each year, a company-wide risk assessment is carried out of sustainability risks associated with the procurement of products and services. In 2018, SEK procured products and services to a value of around Skr 230 million. Most of SEK's around 450 suppliers are based in Sweden, although several IT companies are under foreign ownership.

Health

SEK's long-term ambition is to be a workplace that contributes to good health and wellbeing. A benefits package was introduced in 2017, which includes providing employees with a generous wellness contribution, private medical and health insurance, and domestic services. These offerings were appreciated and frequently utilized in 2018.

New employees

At the end of the year, 238 people worked at SEK with the assignment of strengthening the Swedish export industry's competitiveness. SEK had many applicants for its vacant positions that were advertised during the year. Eight employees chose to change their jobs internally and 21 new employees were recruited.

Sustainability Report

SEK's sustainability information is integrated into the annual report. In accordance with Chapter 6, Section 11 of the Swedish Annual Accounts Act, SEK has, however, chosen to prepare part of the statutory sustainability report separate from the Report of the Directors. See key below for where to find the various parts.

Business model	Policy	Result of policies	Material risks	Risk management	Performance indicators
Sustainability efforts are integrated in the business plan.	SEK has a sustainability policy that includes all material sustainability topics. The risk policy includes managing sustainability risks.	The policies are followed up with operating targets and risk appetites.	SEK's material sustainability risks are anti-corruption and business ethics, and environment, climate, human rights and labor conditions in conjunction with lending.	Sustainability risk is a type of risk and is managed in SEK's risk framework.	The key performance indicators relate to the climate, projects and green financing. We also have KPIs for a sustainable workplace.
SEK's value creation and business model	**Sustainability notes 4–8**	**Targets and outcomes, Note 27, sustainability notes 5–8**	**Risk section, Note 27, sustainability notes 5–8**	**Risk section, Note 27, sustainability notes 5–8**	**Targets and outcomes, KPIs, sustainability notes 5–9**

Key performance indicators

Amounts (other than %) in Skr mn	2018	2017	2016	2015	2014
Results					
Net interest income	1,442	1,683	1,747	1,662	1,578
Operating profit	852	1,007	1,002	1,535	1,629
Net profit	648	772	780	1,187	1,260
C/I-ratio	0.41	0.36	0.34	0.34	0.33
After-tax return on equity	3.6%	4.5%	4.6%	7.2%	8.1%
After-tax return on assets	0.2%	0.3%	0.3%	0.4%	0.4%
Earnings per share before and after dilution (Skr)	162	193	195	297	316
Dividend	194	232	234	356	378
Statement of financial position					
Total assets	302,033	264,392	299,442	280,411	325,166
Total liabilities	283,794	246,818	282,306	263,583	309,009
Total equity	18,239	17,574	17,136	16,828	16,157
Lending					
New customer financing	57,015	89,305	54,856	104,583	57,118
of which to Swedish exporters	*18,014*	*21,643*	*18,107*	*19,254*	*23,231*
of which to exporters´ customers	*39,001*	*67,662*	*36,749*	*85,329*	*33,887*
CIRR-loans as a percentage of new lending	*9%*	*41%*	*20%*	*49%*	*10%*
Loans outstanding and undisbursed loans	260,040	268,034	263,483	268,535	234,250
Borrowing					
New borrowing	60,411	82,441	70,388	47,025	52,216
Outstanding senior debt	257,847	224,833	252,948	233,556	282,192
Outstanding subordinated liabilities	–	2,040	2,266	2,088	1,945
Capital and liquidity position					
Common Equity Tier 1 capital	20.1%	20.6%	22.1%	21.6%	16.9%
Tier 1 capital ratio	20.1%	20.6%	22.1%	21.6%	16.9%
Total capital ratio	20.1%	23.0%	25.1%	24.5%	19.2%
Leverage ratio	5.6%	5.9%	5.3%	5.4%	4.4%
Liquidity coverage ratio (LCR)	266%	169%	215%	n.a.	n.a.
Net stable funding ratio (NSFR)	144%	140%	132%	99%	104%
Sustainability					
New lending to green loans (Skr mn)	2,044	2,385	3,334	988	–
Total greenhouse gas emissions from own operations in ton CO_2e	520	553	502	614	767
Allocation of women/men in management positions	41/59	42/58	36/64	38/62	41/59
Percentage of employees who have completed training in SEK's Code of Conduct including anti-corruption	99%	96%	97%	97%	99%

For definitions, see page 137

Review of 2018[1]

Business reporting

Efforts to solicit new clients were successful in 2018, primarily because the focus on medium-sized companies resulted in business with new clients. SEK has also broadened its business with many existing clients who now utilize a larger portion of SEK's offering.

There is high access to finance in the banking and capital markets for Swedish exporters. This impacted SEK's new lending, which was down compared to last year.

Loans covered by the officially supported export credits system (CIRR) as a percentage of new lending were significantly down compared to the same period last year. CIRR loans are often part of major transactions that occur less frequently, which means that new lending in this respect varies between years.

Total new lending amounted to Skr 57.0 billion (2017: Skr 89.3 billion).

New borrowing in 2018 was lower than in 2017, particularly with regards to structured debt. As a consequence of efforts to adapt to the new Markets in Financial Instruments Directive (also known as MiFID II) regulations, SEK did not issue any structured debt in the Japanese market in the first five months of the year.

During 2018, SEK issued four benchmark bonds, totaling USD 4.3 billion. In November 2018, SEK's USD 250 million subordinated debt due November 14, 2023 was redeemed early.

SEK continues to have high liquidity for new lending and is well prepared to meet the future financing needs of the Swedish export industry.

In 2018, credits were granted to six larger international projects (2017: six projects) where SEK conducted separate sustainability reviews in line with the OECD's Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence as well as the Equator Principles. In 2018, new lending that qualified for classification as green loans amounted to Skr 2.0 billion (2017: Skr 2.4 billion).

New lending

Skr bn	2018	2017
Lending to Swedish exporters[1]	18.0	21.6
Lending to exporters' customers[2]	39.0	67.7
Total	**57.0**	**89.3**
CIRR-loans as percentage of new financial transactions	9%	41%

[1] Of which Skr 0.0 billion (year-end 2017: Skr 0.7 billion) had not been disbursed at period end.
[2] Of which Skr 5.1 billion (year-end 2017: Skr 35.1 billion) had not been disbursed at period end.

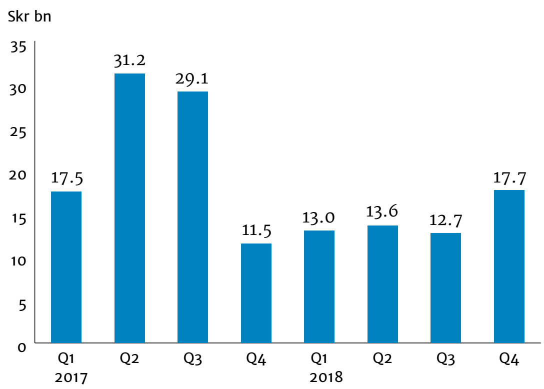
SEK's borrowing

Skr bn	2018	2017
New long-term borrowing	60.4	82.4
Outstanding senior debt	257.8	224.8
Repurchase and redemption of own debt	9.9	38.7

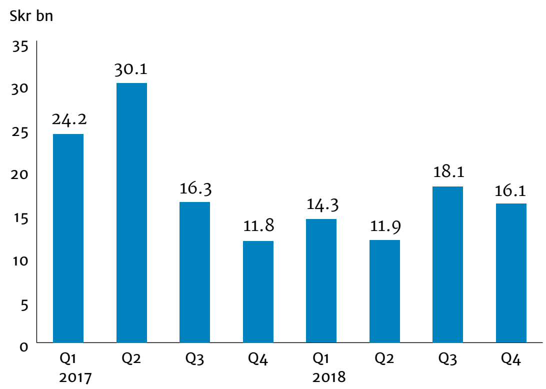
Factors affecting SEK's total comprehensive income

A major part of SEK's operating profit derives from net interest income, which is earned mainly on loans to customers, but also to a lesser extent on liquidity investments. Borrowing for these assets comes from equity and from securities issued in international capital markets. Accordingly, the key determinants of SEK's operating profit are: the interest rate on interest-bearing assets, the interest rate of issued securities, the outstanding volume of interest-bearing assets and the proportion of assets financed by equity.

New lending



New borrowing, long-term borrowing



[1] All amounts in this Report of the Directors relate to the Consolidated Group, unless otherwise stated (see Note 1). As of December 31, 2018, the Consolidated Group comprised SEK and wholly-owned, no-active subsidiary, SEKETT AB. These are jointly referred to as the "Consolidated Group" or the "Group". During 2018 the winding-down of SEK's subsidiary Venantius AB, including its wholly-owned subsidiary, was completed. The Parent Company's results and assets correspond predominantly to those of the Group and, accordingly, the information essentially reflects the conditions in the Parent Company. For differences in the accounting policies between the Group and Parent Company, see Note 1 (r).

SEK issues debt instruments with terms that may be fixed, floating or linked to various indices. SEK's strategy is to economically hedge these terms at floating rates with the aim of matching the terms of its debt-financed assets. The quality of SEK's operating profit, its relatively stable credit ratings and SEK's public role have enabled SEK to achieve borrowing at levels that are competitive within the market. Another factor affecting net interest income is the size of the resolution fee, which SEK is required to pay to a fund to support the recovery of credit institutions.

In addition to net interest income, another key influence on SEK's operating earnings has been changes in the fair value of certain assets, liabilities and derivatives. The factor that mainly impacts unrealized changes in fair value is cross-currency basis spreads. Cross-currency basis spread is the deviation in the nominal interest rate between two currencies in a currency interest rate swap caused by the difference between the base interest rate of the currencies.

Operating expenses also have an important impact on SEK's operating profit.

Other comprehensive income is primarily affected by unrealized changes in value attributable to credit spreads on SEK's own debt, which relate to the credit rating attributed to SEK by its investors.

Operating profit

Operating profit amounted to Skr 852 million (2017: Skr 1,007 million). Net profit amounted to Skr 648 million (2017: Skr 772 million).

Net interest income

Net interest income amounted to Skr 1,442 million (2017: Skr 1,683 million), a decrease of 14 percent compared to the previous year. Net interest income was affected negatively by Skr 73 million due to a higher resolution fee of Skr 266 million (2017: Skr 193 million), which SEK is required to pay to a fund to support the recovery of credit institutions. In 2018, the resolution fee amounted to 0.125 percent of the calculation basis (2017: 0.09 percent), which essentially corresponds to SEK's debt-financed assets less the CIRR loans. In 2019, the resolution fee will go back to 0.09 percent and beginning in 2020, it will be 0.05 percent.

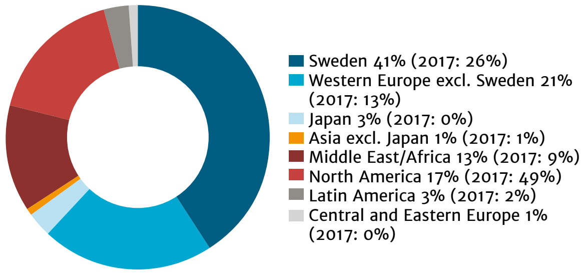
Net interest income was also affected negatively by higher average borrowing costs.

Skr bn, Average	2018	2017	Change
Total loans	202.2	201.9	0%
Liquidity investments	67.2	64.0	5%
Interest-bearing assets	**269.3**	**265.9**	**1%**
Interest-bearing liabilities	**242.4**	**241.0**	**1%**

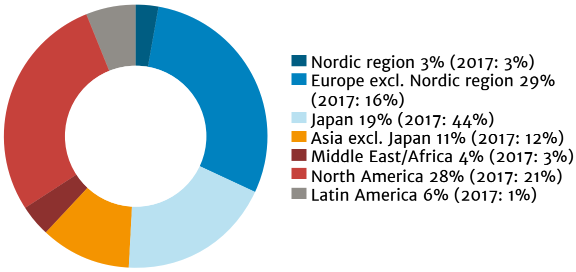
Commission earned and commission incurred

Commission earned and commission incurred amounted to Skr -32 million (2017: Skr -28 million). Commission earned amounted to Skr 5 million (2017: Skr 3 million). Commission incurred amounted to Skr -37 million (2017: Skr –31 million).

SEK's markets for new lending 2018, Skr 57.0 billion (2017: Skr 89.3 billion)



SEK's markets for new borrowing 2018, Skr 60,4 billion (2017: Skr 82.4 billion)



Net results of financial transactions

The financial item net results of financial transactions amounted to Skr 19 million (2017: Skr -102 million). The result was mainly due to realized gains related to repurchase of SEK's own debt and early redemption of loans. This was offset by unrealized losses in fair value of assets in the liquidity portfolio and on derivatives.

Operating expenses

Skr mn	2018	2017	Change
Personnel expenses	-311	-320	-3%
Other administrative expenses	-231	-232	0%
Depreciation and impairment of non-financial assets	-40	-45	-11%
Total operating expenses	**-582**	**-597**	**-3%**

Operating expenses decreased 3 percent compared to the previous year, due to decreased personnel expenses and depreciation and impairment of non-financial assets. Beginning in 2017, SEK introduced a system for individual variable remuneration for permanent employees with customer or business responsibility, with the exception of members of the executive management team. No provision was made in 2018 for the individual variable remuneration (2017: Skr 7 million).

Net credit losses

Net credit losses amounted to Skr 7 million (2017: Skr 51 million). The positive result was attributable to changes in the macroeconomic forecasting scenario and risk factors in accordance with IFRS 9 procedures. Further impairment of stage 3 credits offset much of these changes. See Note 9.

Loss allowances as of December 31, 2018 amounted to Skr -139 million compared to Skr -137 million as of January 1, 2018 of which exposures in stage 3 amounted to Skr -84 million (January 1, 2018: Skr -66 million). The reserve was affected negatively by unfavorable exchange rate effects.

Taxes

Tax costs amounted to Skr -204 million (2017: Skr –235 million), of which Skr -448 million (2017: Skr -262 million) consisted of current tax and Skr 245 million (2017: Skr 27 million) consisted of deferred tax (see Note 10). The effective tax rate was 24.0 percent (2017: 23.3 percent), while the nominal tax rate for 2018 was 22.0 percent (2017: 22.0 percent). The difference between the nominal tax rate and the effective tax rate is primarily due to the fact that the interest expense for subordinated loans from 2017 is no longer deductible due to a change in the Swedish tax rules that became effective as of January 1, 2017.

Other comprehensive income

Skr mn	2018	2017
Items to be reclassified to operating profit	-25	-124
of which available-for-sale securities	-	-33
of which other comprehensive income effects related to cash-flow hedges	-25	-91
Items not to be reclassified to operating profit	326	-4
of which own credit risk	374	-
of which revaluation of defined benefit plans	-48	-4
Other comprehensive income before tax	**301**	**-128**

The line item Other comprehensive income before tax amounted to Skr 301 million (2017: Skr -128 million), mainly due to a reversal of a previous reserve for parameter uncertainty related to credit spreads on SEK's own debt.

A major part of the items to be reclassified to operating profit related to cash flow hedges. The effect was related to reclassification from other comprehensive income to net interest income due to the fact that hedging instruments previously were included in cash flow hedges. Of the items not to be reclassified to operating profit a large proportion were related to changes in own credit risk, the item was also impacted by the revaluation of defined-benefit pension plans due to a changed discount rate.

Return on equity

After-tax return on equity amounted to 3.6 percent (2017: 4.5 percent).

Statement of financial position

Total assets and liquidity

The financial item Total assets increased compared to the end of 2017, mainly due to disbursements of loans and the purchase of liquidity investments due to new funding.

Skr bn	2018	2017	Change
Total assets	302.0	264.4	14%
Liquidity investments	78.6	55.7	41%
Outstanding loans	209.2	195.1	7%
of which loans in the CIRR-system	*69.9*	*49.1*	*42%*

Liabilities and equity

As of December 31, 2018, the aggregate volume of available funds and shareholders' equity exceeded the aggregate volume of loans outstanding and loans committed at all maturities. Accordingly, SEK considers all of its outstanding commitments to be covered through maturity.

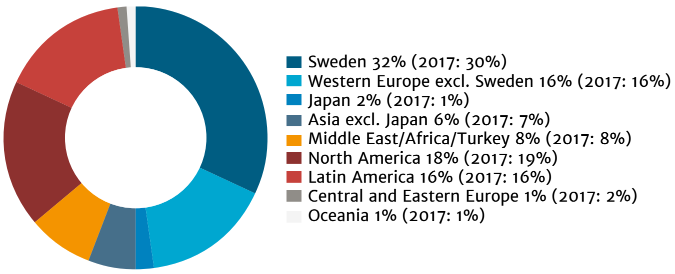
In 2018, SEK had a credit facility in place with the Swedish National Debt Office of up to Skr 125 billion. To date, SEK has not utilized the credit facility. The credit facility can only be utilized for loans covered by the officially supported export credits system (CIRR) and should be a reserve when funding markets are not available to SEK. In December 2018, the Swedish Parliament confirmed that the credit facility will continue to be available in 2019 in an amount up to Skr 125 billion.

Credit risks

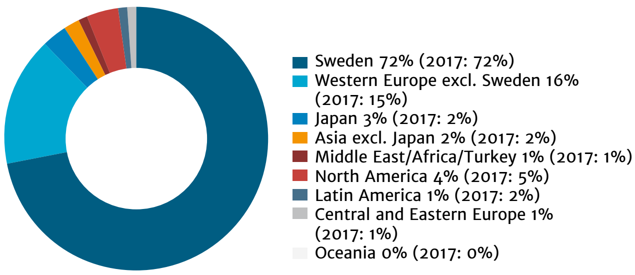
Total exposures amounted to Skr 337.4 billion on December 31, 2018 (year-end 2017: Skr 327.2 billion). SEK's exposures to central governments, regional governments and corporates have increased while exposures to financial institutions have decreased. See Note 27.

The credit risk is limited primarily through the use of guarantees. The guarantors are predominantly government export credit agencies in the OECD, of which the Swedish Export Credits Guarantee Board (EKN) is the largest, which explains the higher net exposure toward Sweden in the following diagram.

Gross exposures per region, December 31, 2018



Net exposures per region, December 31, 2018



Other exposures and risks

SEK's hedging transactions are expected to be effective in offsetting changes in fair value attributable to hedged risks. The determination of the gross value of certain items in the statements of financial position, particularly derivatives and issued unsubordinated securities, which effectively hedge each other, requires complex judgments regarding the most appropriate valuation technique, assumptions and estimates. If different valuation models or assumptions are used, or if assumptions change, a different result may arise. Excluding the impact on the valuation of spreads on SEK's own debt and basis spreads (which can be significant), such changes in fair value would generally offset each other, with little impact on the value of net assets.

SEK maintains a conservative policy with regard to market risk exposures, primarily consisting of interest rate risks and currency risks. For quantitative and qualitative information about risks and exposures, see the "Risk and capital management" section of this annual report as well as Note 27 Risk Information.

Capital adequacy

As of December 31, 2018, the total capital ratio was 20.1 percent (year-end 2017: 23.0 percent). The decrease in the total capital ratio is mainly due to Tier 2 capital being redeemed early. SEK maintains strong capitalization in relation to the capital target, with a total capital ratio that exceeds the total capital adequacy requirement of Finansinspektionen (the Swedish FSA) by 3.6 percentage points.

Percent	December 31, 2018	December 31, 2017
Common Equity Tier 1 capital ratio	20.1	20.6
Tier 1 capital ratio	20.1	20.6
Total capital ratio	20.1	23.0
Leverage ratio	5.6	5.9
Liquidity coverage ratio (LCR)	266	169
Net stable funding ratio (NSFR)	144	140

Results under the CIRR-system

Pursuant to the company's assignment as stated in its owner instruction issued by the Swedish government, SEK administers credit granting in the Swedish system for officially supported export credits (CIRR-system). The CIRR-system paid net compensation to SEK of Skr 155 million (2017: Skr 123 million). This is compensation paid to SEK for carrying the CIRR-system loans and their related credit risks on SEK's balance sheet. The compensation is included in SEK's net interest income.

Skr mn	2018	2017	Change
Results from the CIRR-system	**18**	**125**	**-86%**
of which interest differential compensation	*20*	*26*	*-23%*

The CIRR-loans are provided under agreements within the OECD, which is a common regulatory framework for the individual countries' subsidies on their export industries. Exporters are offered the opportunity to fix interest rates for the period of the offer. CIRR-loans are provided in collaboration between SEK, EKN and commercial banks.

The aggregate surplus for CIRR-based export credits under the system for the period from 1990 to 2018 amounted to approximately Skr 3.3 billion, with the average year-end volume of outstanding loans at Skr 19.3 billion. The surplus for the past five years amounts to Skr 642 million and the average volume of outstanding loans amounts to Skr 51.9 billion.

Investments

SEK continually invests in the development of new IT systems in order to meet regulatory requirements, to develop the business and to ensure appropriate and effective IT support for the company's business and support processes. During 2018, an intensive development work on methods and processes related to SEK's increased client focus has been made, which has implicated large IT expenditures. Capital expenditures in IT systems during 2018 amounted to Skr 7 million (2017: Skr 2 million). During 2018 a write-down of intangible assets was made with Skr 7 million (2017:Skr -)

Proposal for the distribution of profits

All amounts are in Skr million, unless otherwise indicated.

The results of the Consolidated Group's and the Parent Company's operations during the year and its financial position at December 31, 2018, can be seen in the statement of comprehensive income, statement of financial position and statement of cash flows for the Consolidated Group as well as the income statement, balance sheet and statement of cash flows for the parent company and related Notes. The Board has decided to propose the payment of a dividend of Skr 194 million (2017: Skr 232 million) at the Annual General Meeting, corresponding to the company's dividend policy of 30 percent of the profit for the year. The following proposal regarding distribution of profits relates to the Parent Company.

At the disposal of the Annual General Meeting	13,054
The Board of Directors proposes that the Annual General Meeting dispose of these funds as follows:	
– Dividend to the shareholder of Skr 48.70 per share, amounting to	194
Remaining disposable funds to be carried forward	**12,860**

Unrealized changes on assets and liabilities at fair value have affected the equity of the Parent Company with three percent.

The own funds for the Group amounted to, as of December 31, 2018 Skr 17 531 million resulting in a total capital adequacy ratio of 20.1 percent. It is the assessment of the Board of Directors that the proposed dividend has coverage in equity. The own funds and the volume of liquidity investments will, even after the proposed dividend continue to be satisfactory in relation to the line of business the company operates in, and the company is assumed to fulfill its obligations in the short and long term. Thus, it is the assessment of the Board of Directors that the proposed dividend is justifiable considering the demands with respect to the size of the company's and the Group's equity, which are imposed by the nature, scope and risks associated with the business, and the company's and the Group's need for consolidation, volume of liquidity investments and financial position in general.

Risk and capital management

The Risk and capital management section addresses significant aspects of SEK's risk and capital management. For detailed descriptions, including quantitative information on SEK's capital adequacy and its risk and capital management, refer to Note 26 Capital adequacy and Note 27 Risk information, respectively. For supplementary and expanded information, refer to the separate risk report, "Capital Adequacy and Risk Management Report — Pillar 3 2018," available at www.sek.se.

Events in 2018

In 2018, several events in the external environment affected the macro scenario, such as Brexit, political turbulence in Italy, the US-China trade dispute and interest-rate hikes in the US. Although these events have led to some political concern, the markets have been largely stable and the world economy has thus far been affected marginally. In Sweden, lengthy government negotiations have ensued following the election in September. At the end of the year, SEK's Export Credit Trends Survey showed a slightly more pessimistic view of the export climate. The consequences of the new regulations for the financial sector remain considerable in the form of adaptation costs, new fees and stricter capital requirements. To some extent, there still exists uncertainty regarding the impact of the new regulations moving forward.

SEK's capital adequacy has decreased slightly in 2018. At the end of the year, the total capital ratio was 20.1 percent (2017: 23.0 percent), of which the Tier 1 capital ratio and the Common Equity Tier 1 ratio both amounted to 20.1 percent (2017: 20.6 percent). The primary reason for the decrease in capital adequacy is early redemption by SEK in November of Tier 2 instruments amounting to USD 250 million. SEK's total exposures have marginally decreased since the end of 2017. SEK's largest financial risks are credit risk (Skr 7.0 billion (2017: Skr 6.9 billion) in allocated capital), market risk (Skr 1.1 billion (2017: Skr 1.6 billion) in allocated capital) and operational risk (Skr 0.2 billion (2017: Skr 0.1 billion) in allocated capital) in line with internally assessed capital adequacy. The leverage ratio amounted to 5.6 percent (2017: 5.9) at year end.

The minimum requirement for own funds and eligible liabilities (MREL) is 8.3 percent (2017: 7.1) of total liabilities and own funds. This corresponds to a minimum requirement of 25.3 percent (2017: 28.0) of risk-weighted assets. SEK meets these requirements since a portion of the senior debt can be included at present. Until 2022, SEK needs to issue separate MREL capital.

SEK's liquidity was stable during the year. Capacity for managing operational and structural liquidity risk has been good. This was confirmed by new lending capacity, which has been at a high level and amounted to 5 months (2017: 15 months), and by the liquidity coverage ratio (LCR), which was 266 percent (2017: 169) at year end.

The VaR for all positions at fair value amounted to Skr 14 million (2017: Skr 20 million) at year end.

In its preparations for Brexit, SEK has assumed that the UK will leave the EU on March 29, 2019 without an agreement, a so-called "hard Brexit." Primarily, the preparations include ensuring that SEK can continue to conduct transactions with financial counterparties domiciled in the UK. SEK is also affected by new rules for reference interest rates that entail IBOR-based rates being gradually replaced with new reference rates.

Capital target

The Company's capital target, which is one of the Board's principal control instruments, is established by the owner at a general meeting of shareholders. The capital target is designed to ensure that SEK has sufficient capital to support its strategy and that capital adequacy always exceeds the regulatory requirements, even in the event of deep economic declines. Under normal conditions, SEK's capital target is for its total capital ratio to exceed the capital adequacy requirement communicated by the Swedish FSA by 1 to 3 percentage points. The point of departure for this is the Swedish FSA's estimated capital requirement for SEK or SEK's own assessment. In addition, SEK's own funds must also cover the volatility that may be expected under normal conditions. As a result of the Swedish FSA's review and evaluation process, SEK was required to have a total capital ratio of 16.7 percent, based on SEK's balance sheet at September 30, 2018 (September 30, 2017: 15.9). At December 31, 2018, the total capital ratio was 20.1 percent (year-end 2017: 23.0).

Core risk management principles

SEK must be selective in its choice of counterparties and clients in order to ensure a strong credit rating.

SEK only lends funds to clients who have successfully undergone SEK's procedure for gaining understanding of the customer and its business relations (know your customer), and have a business structure that complies with SEK's mission of promoting the Swedish export industry.

The business operations are limited to financial solutions and positions that the Company has approved and has procedures for, whose risks can be measured and evaluated and where the Company complies with international sustainability risk guidelines.

SEK's liquidity strategy entails that the Company secures financing that, at the very least, has the same maturities as the funds that it lends.

Risk appetite

The Board decides on the Company's risk appetite, which is to encompass all of the Company's significant risk classes and to express the outer limits for the business operations. The risk appetite must specify the risk measurements that, in the opinion of the Board, provide information that is sufficient for the members of the Board to be well versed in the type and scope of the Company's risks. The risk appetite is strongly connected to the Company's loss capacity and thus to its equity. At least on a quarterly basis, the Board is provided with a comprehensive update of the risk exposures' relationship to the risk appetite.

Refer also to the "SEK's risks and risk management" section, where the risk appetite by risk class is described in detail.

SEK's risk framework

Effective risk management and control in SEK are based on a sound risk culture, a shared approach and a well-functioning control environment. SEK emphasizes the importance of high risk awareness among personnel and an understanding of the importance of preventive risk management to, thereby, keep risk exposure within the determined level. SEK also has a risk framework (see the Risk Framework illustration on the preceding page).

The structure of the risk framework is ultimately governed by SEK's mission from its owner, the Swedish government, and SEK's business model.

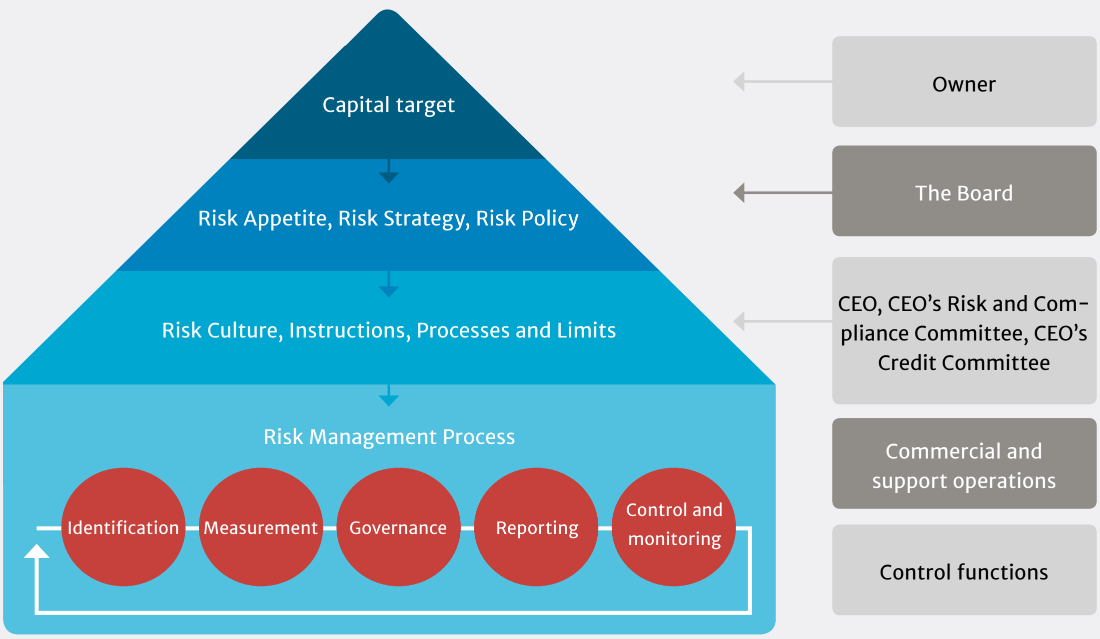
The capital target constitutes the outer boundary for SEK's strategy. Within the restrictions of the capital target, risk appetite is stated, which is expressed by risk class and comprises the risk to which the Board is prepared to expose SEK in order to achieve its strategic objectives. Risk governance is specified in the form of a risk strategy, a risk policy, in SEK's risk culture, and in instructions, processes and limits. These policy documents describe the risk management process and define what activities and operations are included in the process, and how they should be performed. The policy documents also indicate how responsibility is structured in terms of the execution, monitoring of and compliance with risk management.

Risk governance

The Board of Directors has ultimate responsibility for governing and monitoring risk exposure and risk management, and for ensuring satisfactory internal control. The Board determines the overall risk governance by taking decisions on such matters as risk appetite and risk strategy. The Board also decides on risk policies and on matters of considerable importance to credit granting. For a detailed description of the Board of Directors' rules of procedure, refer to the Corporate Governance Report.

SEK's risk framework

The risk framework encompasses the entire operations and is ultimately governed by SEK's mission.



SEK has organized risk management and risk control in accordance with the principle of three lines of defense in the form of clear-cut separation of responsibility between the commercial and support operations that own the risks, the control functions that independently identify and monitor the risks and an internal audit, which reviews these matters and reports directly to the Board; see diagram below.

Risk management process

The Company's risk management process encompasses: identification, measurement, management, reporting, control and monitoring of those risks with which the business is associated and for which SEK has formulated internal controls with this purpose in mind. SEK's risk management process consists of the following key elements:

Risk identification — at any given time, SEK must be aware of the risks to which it is exposed. Risks are identified, primarily in new transactions, in external changes in SEK's operating environment or internally in, for example, products, processes, systems and through annual risk analyses that include all aspects of SEK. Both forward-looking and historical analyses and testing are performed.

Division of responsibility for risk, liquidity and capital management in SEK

First line of defense

- Business and support operations
- Day-to-day management of risk, capital and liquidity in compliance with risk appetite and strategy as well as applicable laws and rules
- Credit and sustainability analyses
- Daily control and follow-up of credit, market and liquidity risk

Second line of defense

- Independent risk control and compliance functions
- Identification, quantification, monitoring and control of risks and risk management
- Risk, liquidity and capital reporting
- Maintain an efficient risk management framework and internal control framework
- Compliance monitoring and reporting

Third line of defense

- Independent internal audit
- Review and evaluation of the efficiency and integrity of risk management
- Performance of audit activities in line with the audit plan confirmed by the Board
- Direct reporting to the Board

Measurement — the size of the risks is measured on a daily basis in respect of significant measurable risks or is assessed qualitatively as frequently as necessary. For those risks that are not directly measurable, SEK evaluates the risk according to models that are based on SEK's risk appetite for the respective risk class, specifying appropriate scales of probability and consequence.

Governance — SEK aims to oversee the development of business, actively utilize risk-reduction capabilities and control the development of risks over time to ensure that the business activities are kept within the risk appetite and limits. SEK also plans and draws up documentation to ensure the continuity of business-critical processes and systems and that planning is carried out for crisis management. Exercises and training regarding the management of situations that require crisis and/or continuity planning are performed continuously.

Reporting — the Company reports on the current risk situation, on the use of capital and on related matters to the CEO, the Finance and Risk Committee and the Board, at least once each quarter.

Control and monitoring — SEK checks and monitors compliance with limits, risk appetite, capital targets, risk management and internal and external regulations to ensure that risk exposures are kept at an acceptable level for SEK and that risk management is effective and appropriate.

Internal capital and liquidity assessment processes

The internal capital adequacy assessment process is an integral part of SEK's strategic planning, whereby the Board determines SEK's risk appetite and approves the capital target. The purposes of the internal capital adequacy assessment process are to ensure that SEK has sufficient capital to meet the regulatory requirements under both normal and stressed financial conditions and to support SEK's high credit rating. The capital kept by SEK must be sufficient in relation to the risks that SEK has, or can be exposed to. The capital adequacy assessment is based on SEK's internal assessments of the risks and their development, as well as assessments of risk measurement models, risk governance and risk management. It is integrated into business planning and forms the foundation for SEK's strategy for maintaining an adequate level of capital. Capital adequacy assessments are conducted at least for the forthcoming three-year period.

In addition to the internal capital adequacy assessment process, an in-depth liquidity analysis is performed. During the planning period, the liquidity requirement and its composition in terms of liquidity requirements for different currencies, among other items, are evaluated to ensure the Company has adequate liquidity to implement the business plan and meet regulatory requirements.

To arrive at an adequate capitalization level that also applies under stressed financial conditions, an analysis is conducted of how the capitalization is affected by stress in global financial markets, as well as of other factors that impact SEK's business model and net risk exposure.

When SEK performs the internal capital adequacy assessment, it applies methods other than those used for the Swedish FSA's capital requirement. The assessment is based on SEK's internal calculation of economic capital, which captures all of the specific risks to which SEK's operations are exposed, even risks over and above those included in the Swedish FSA's capital requirement. For example, for credit risk, economic capital is based on a quantitative approach whereby Value at Risk (VaR) is calculated at a confidence level of 99.9 percent. This quantitative estimate is performed using a simulation-based tool that produces a probability distribution of the value of the credit portfolio over a defined time horizon (usually one year). The methodology used in the VaR quantification is based on the Credit Metrics model. In addition to the internal capital adequacy assessment, SEK also estimates the total capital requirement as set for SEK by the Swedish FSA in its annual review and evaluation process. The capital adequacy assessment estimated by the Swedish FSA is a minimum requirement for SEK's own funds. In SEK's assessment, SEK has own funds that comfortably exceed both the internally estimated need of own funds and the total capital requirement calculated by the Swedish FSA. For supplementary and expanded information, refer to the separate risk report, "Capital Adequacy and Risk Management Report — Pillar 3 2017", available at www.sek.se.

Detailed risk statement

Risk class	Risk profile	Risk appetite metrics	Risk management
Liquidity and refinancing risk Liquidity and refinancing risk is the risk, of the Company not being able to refinance its existing assets or being unable to meet increased demands for liquid funds. Liquidity risk also includes the risk of the Company having to borrow at an unfavorable interest rate or needing to sell assets at unfavorable prices in order to meet its payment commitments.	SEK has secured funding for all its credit commitments, including those agreed but not yet disbursed. In addition, the size of SEK's liquidity investments allow new lending to continue at a normal pace, even during times of stress. As a consequence of SEK having secured funding for all its credit commitments, the remaining term to maturity for available funding is longer than the remaining term to maturity for lending.	• All lending transactions are to be funded on a portfolio basis using at least the same maturity. Equity capital is included here as funding with perpetual maturity. • The Company is to have contingencies in a stressed scenario for new lending (including CIRR) of at least two months, without access to the credit facility. • The maturity profile of the liquidity investments must reflect the anticipated net maturity of borrowing and lending. Under normal circumstances, the assets should be held until maturity. LCR assets are calculated to mature within two days. • The Company is to operate with an LCR for the entire balance sheet, and in EUR and USD, of not less than 110 percent. • The Company is to operate with a Net Stable Funding Ratio (NSFR) exceeding 100 percent.	SEK must have diversified funding to ensure that funding is available through maturity for all credit commitments — credits outstanding as well as agreed but undisbursed credits. The size of SEK's liquidity investments must ensure that new lending can take place even during times of financial stress.
Credit risk Credit risk is the risk of loss that could occur if a borrower or a counterpart can not meet its obligations. Counterparty risk, concentration risk and settlement risk are certain subsets of credit risk.	SEK's lending portfolio is of a high credit quality. The Company's mission naturally entails certain concentration risks, such as geographical concentration risk against Sweden. The net risk is principally limited to counterparties with high creditworthiness, such as export credit agencies (ECAs), major Swedish exporters, banks and insurers. SEK invests its liquidity in high credit quality securities, primarily with short maturities.	• Individual and collectively limited exposures must not exceed 20 percent of SEK's own funds. • The Company's expected loss within one year must not exceed two percent, and the total portfolio maturity must not exceed eight percent of the Common Equity Tier 1 capital. • The average risk weight for SEK's credit-risk exposures to corporates and institutions may not exceed 55 percent. • Credit-risk-related concentration risk must not exceed 30 percent of the Swedish FSA's assessed total capital requirement for credit risk. • The Company's net exposures to counterparties in the segment <= BB- must not exceed 80 percent of SEK's Tier 1 capital.	Lending must be based on in-depth knowledge of SEK's counterparties as well as counterparties' repayment capacity. Lending must also be aligned with SEK's mission based on its owner instruction. SEK's credit risks are mitigated through a risk-based selection of counterparties and managed through the use of guarantees and other types of collateral. Furthermore, SEK's lending is guided by the use of a normative credit policy, specifying principles for risk levels and lending terms. Concentrations that occur naturally as a result of the Company's mission are accepted, but the Company continuously works towards reducing the risk of concentration where this is possible.
Market risk Market risk is the risk of loss or reduction of future net income following changes in prices and volatilities on financial markets including price risk in connection with the sale of assets or closing of positions.	SEK's business model leads to exposure mainly to spread risks, interest-rate risk and currency risk. SEK's largest net exposures are to changes in spread risk, mainly to credit spreads associated with assets and liabilities and to cross-currency basis spreads.	• SEK's aggregated market risk measure for all the exposures at fair value must not exceed Skr 1,100 million. • Value-at-Risk for exposures at fair value must not exceed Skr 100 million. • VaR for the liquidity portfolio must not exceed Skr 50 million. • Total interest rate sensitivity to a 100 bps parallel shift of all yield curves, comprising the entire balance sheet, must not exceed Skr 500 million. • Net interest income risk, 1 year, meaning the impact on SEK's future earnings margin resulting from a change in interest rates (100 bps parallel shift) and a change in basis spreads (20 bps parallel shift), must not exceed Skr 350 million. • The Company must hedge at least 75 percent of interest-rate risk in loans outstanding in the CIRR system.	SEK conducts no active trading. The core of SEK's market risk strategy is to borrow funds in the form of bonds which, regardless of the market risk exposures in the bonds, are hedged by being swapped to a floating interest rate. Borrowed funds are used either immediately for lending, mainly at a floating rate of interest, or swapped to a floating rate, or to ensure that SEK has sufficient liquidity. The aim is to hold assets and liabilities to maturity.
Operational risk Operational risk is the risk of losses resulting from inadequate or faulty internal processes, systems, human error or from external events.	Operational risks arise in all parts of the business. The vast majority of incidents that have occurred are minor events that are rectified promptly within the respective functions. Overall operational risk is low as a result of effective internal control measures and a focus on continuous improvement.	• Measures are to be taken without delay to minimize the likelihood of possible losses in excess of Skr 150 million as estimated by the Company. In the event that adequate measures cannot be taken within two months, the CEO must inform the Finance and Risk Committee. • Measures are to be taken without delay to reduce an expected loss exceeding Skr 2 million to an amount of less than Skr 2 million within six months. • The risk appetite for expected losses due to operational risk is limited to Skr 20 million over a one-year period. • Critical internal audit remarks must be mitigated without delay, but no later than within six months. • Critical external audit remarks must be mitigated without delay, but no later than within two months.	SEK manages the operational risk on an ongoing basis through mainly efficient internal control procedures, performing risk analysis before changes, focus on continuous improvements and business continuity management. Costs to reduce risk exposures must be in proportion to the effect that such measures have.

Risk class	Risk profile	Risk appetite metrics	Risk management
Compliance risk Compliance risk is the risk of breaches of relevant legislation and ordinances (external regulations), internal regulations or industry practices that apply to the operations requiring permits. Compliance risk includes the risk of money laundering and financing of terrorism.	SEK's operations lead to exposure to the risk of failing to comply with current regulatory requirements and ordinances in markets in which the Company operates.	• The Company does not accept material or systematic non-compliance with legislation, ordinances and other regulations, or internal regulations.	SEK works continuously to develop tools and knowledge to help identify the Company's compliance risks. The company analyzes and monitors compliance risks with the intention of continuously reducing the risk of non-compliance with regulations pertaining to operations requiring permits.
Business and strategic risk Strategic risk is the risk of lower revenue because strategic initiatives fail to achieve the pursued results, inefficient organizational changes, improper implementation of decisions, unwanted impact of outsourcing, or the lack of adequate response to changes in the business environment. Business risk is the risk of an unexpected decline in revenue resulting from, for example, changes to competitive conditions, a decrease in volumes and/or falling margins.	SEK's strategic risks mainly arise through changes in the external operating environment, such as market conditions, which could result in limited lending opportunities for SEK, and regulatory reforms from two perspectives: (1) the impact of these reforms on SEK's business model; and (2) the requirements on the organization resulting from increased regulatory complexity.	• SEK's appetite for business and strategic risk is derived from the mission which is expressed in the owner instruction and is implemented strategically and operatively in the Company's business plan.	SEK's executive management is responsible for identifying and managing the strategic risks and monitoring the external business environment and developments in the markets in which SEK conducts operations and for proposing the strategic direction to the Board. A risk analysis in the form of a self-assessment concerning strategic risk is to be conducted each year.
Sustainability risk Sustainability risk is the risk of SEK directly or indirectly, negatively affects externalities within the areas of environmental and climate considerations, anti-corruption, human rights, labor conditions or business ethics.	SEK is indirectly exposed to sustainability risks in connection to its lending activities. High sustainability risks could occur in financing of large projects or of businesses in countries with high risk of corruption or human rights violations.	• In project-related financing, the Company must comply with the Equator Principles or the OECD's Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence. • When lending in complex markets, the exporters or other market participants covered by the financing must have the capacity to manage sustainability risks in line with international guidelines. • Lending for coal-fired power is not permitted. In exceptional cases, loans may be offered for measures aimed at improving the environment. Gross lending to fossil operations (coal, oil and gas) should be less than 5 percent of SEK's total lending. • For existing transactions that no longer align with SEK's risk appetite, SEK will based on the opportunities available take measures to influence and to report deviations to the Board. • Lending is not permitted for business transactions where the main purpose is to withhold tax.	Sustainability risks are managed according to a risk-based approach. In cases of heightened sustainability risk, a detailed sustainability review is performed and measures could be required in order to mitigate environmental and social risks. Requirements are based on national and international regulations and guidelines within the areas of environment and climate, anti-corruption, human rights including labor conditions and business ethics including tax.

A more client-centric and long-term approach strengthens SEK moving forward

SEK's mission from its owner, the Swedish government, is to ensure access to financial solutions for the Swedish export industry on commercial and sustainable terms. SEK acts as a complement to banks and capital markets, and offers our clients and their customers attractive and competitive financing.

At the end of the year, the Board adopted the budget and business plan for the forthcoming year. This entails an extensive and ambitious plan to raise SEK's capacity to execute its assignment to a new level. These efforts will extend for several years and essentially enable SEK to conduct more business with existing and new clients. To make this possible, SEK needs to develop its client offering and its work processes.

The Swedish export industry competes internationally in constantly changing market conditions. This requires the ability to continuously develop and adapt products, services and business models.

A more client-centric approach has been a common theme throughout 2018. This has impacted SEK's operations in three ways. Firstly, we start based on our assignment. Sweden's welfare depends on the success of the Swedish export industry. SEK makes this possible by ensuring access to competitive financial solutions for the Swedish export industry on commercial and sustainable terms. This works entails continued cost-efficiency and the avoidance of any major risks.

Secondly, our strategy is based on our clients' needs. This means that we deepen our client relationships and progress from close dialogues to practical partnerships when developing new offerings.

Thirdly, we will attract new clients, mainly among medium-sized companies. At the same time, we will broaden our business with existing clients.

To ensure we have satisfied clients and do profitable business, we need to become more modern and more digital. Moreover, we need more efficient processes that shorten the time from application to loan disbursement for our clients.

We also need to continue to collaborate with other market participants. This entails developing our banking relationships on the borrowing and lending side, building and strengthening our relationships with international export credit agencies (ECAs) and deepening our network within Team Sweden.

In the autumn, SEK conducted a reorganization aimed at involving executive management more directly with clients and business. Accordingly, the Head of Large Corporates and the Head of Mid Corporates have joined the management group.

When I look ahead, I do so with caution and with optimism — for Swedish exports and for SEK. Economic cycles have swings and roundabouts, interest rates go up and down — as does the capital market's capacity to finance business. SEK is tasked with consistently, irrespective of economic conditions and circumstances, being available to support the Swedish export industry. This is what makes SEK unique, a solid foundation.

The fact is, we have an excellent base from which to reach more clients. SEK's client survey found that our clients are very satisfied. 97 percent of clients could recommend SEK to others. This is an outstanding rating for the finance industry.

> "SEK is tasked with consistently, irrespective of economic conditions and circumstances, being available to support the Swedish export industry. This is what makes SEK unique, a solid foundation."

In summing up the past year, it is extremely gratifying to note that SEK client relations efforts have met with success and led to us having more clients than ever before.

The after-tax return on equity amounted to 3.6 percent in 2018 (2017: 4.5 percent). SEK has a strong capitalization with a total capital ratio of 20.1 percent at the end of the year (year-end 2017: 23.0 percent) and SEK's Board has decided to propose to the Annual General Meeting the distribution of a dividend of Skr 194 million (2017: Skr 232 million), corresponding to 30 percent of net profit for the year.

Sustainable business is about running companies with an eye on the future — minimizing the negative societal impacts of companies, following international guidelines and contributing to positive societal development. Sustainable finance solutions strengthen Swedish exporters' global competitiveness. It also strengthens Sweden as an export nation.

Both companies and financiers have active roles to play in the UN Sustainable Development Goals. SEK has chosen to focus on SDG No. 11, Sustainable Cities and Communities. We can see that Swedish environmental expertise and Swedish exports have much to contribute to sustainable urban development in many parts of the world.

I am proud to be the Chairman of SEK, which is both gratifying and challenging, and I would like to conclude by thanking the Board, the management and, most of all, the employees, who in a committed manner, execute their tasks well on a daily basis for SEK and the Swedish export industry.

Lars Linder-Aronson,
Chairman of the Board

Corporate Governance Report 2018

SEK is a Swedish credit market institution, with its seat in Stockholm, Sweden. SEK is wholly owned by the Swedish state and under the administration of the Swedish Ministry of Enterprise and Innovation.

The government considers SEK a key actor in the state's promotion of the Swedish export industry and in the realization of the government's export strategy.

Corporate governance at SEK is based on Swedish law and the applicable Swedish and international regulations, including the international guidelines adopted by SEK.

The owner's governance of SEK is executed through the state's ownership policy and owner instruction and, as for all Swedish limited companies, through the Swedish Companies Act (*aktiebolagslagen (2005:551)*) its Articles of Association, general meeting of shareholders, its Board and its CEO. In addition to its effort to operate responsibly, SEK complies with international sustainability guidelines.

The state's ownership policy and guidelines for companies with state ownership

On December 22, 2016, the Swedish Government adopted a new ownership policy for state-owned companies. The policy applies since January 1, 2017. In the state's ownership policy, the government details its mission and objectives, the applicable frameworks and its position on key policy issues pertaining to corporate governance at all state-owned companies. The state's ownership policy includes the government's guidelines for external reporting and guidelines for terms of employment for senior executives. Moreover, the state's ownership policy means that the Swedish Corporate Governance Code (the "Code") shall be applied.

As set out in the state's ownership policy, inter alia, as a state-owned company, SEK is to set a positive example for sustainable business. For governance pertaining to sustainability, see Sustainability Note 4.

State-owned companies are subject to more substantial information requirements regarding sustainability reporting and, therefore, are to apply such regulations as the GRI Sustainability Reporting Guidelines or other international frameworks for sustainability reporting.

The Code

The Code is part of the Swedish government's framework for corporate governance. SEK complies with the Code in line with the owner's guidelines.

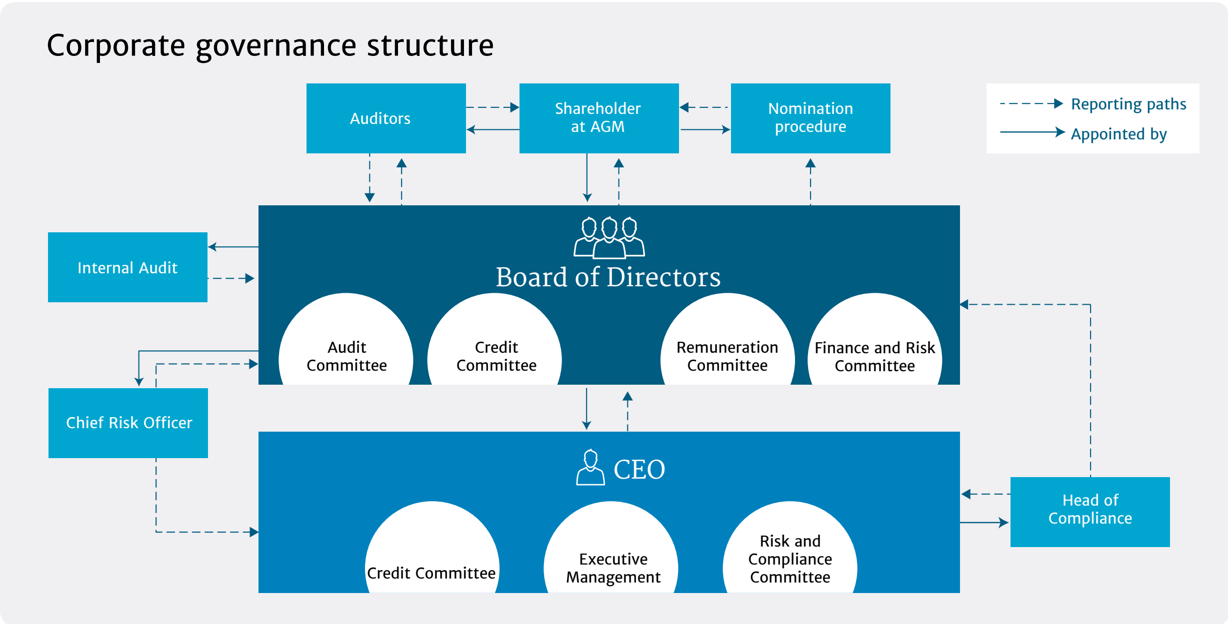
Deviations from the Code

SEK chooses to deviate from the Code in regard to certain aspects, in accordance with the Code's regulations regarding "comply or explain." The reason for such deviations is that SEK is wholly owned by the state and thus is not a publicly listed company with diverse ownership. SEK's corporate governance deviated from the requirements of the Code on the following points in the 2018 fiscal year:

Nomination Committee. The nomination process for Directors and auditors adheres to the principles described in the state's ownership policy.

Chairman of the General Meeting. The nomination process for the Chairman of the General Meeting adheres to the principles described in the state's ownership policy.

The Board of Directors' independence from the owner. In accordance with the state's ownership policy, SEK does not disclose whether the Directors are independent in relation to the owner.



Owner instruction

The owner instruction states, inter alia, that SEK is to: (a) conduct lending operations on commercial and sustainable terms, within the scope of the objects set out in the Articles of Association, with the aim of promoting the Swedish export industry by offering financing solutions that directly or indirectly promote Swedish exports; (b) provide export credits, including the officially supported credits (CIRR loans); (c) in periods when the market can not satisfactorily provide financing to the Swedish export industry, constitute a tool whereby the government can take separate measures to ensure that such financing can be provided; and (d) promote compliance with international guidelines within the area of sustainable business relating to the environment, anti-corruption, human rights, labor conditions and business ethics. Where relevant when making credit assessments, SEK is to comply with international frameworks, such as the OECD's Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence or the Equator Principles, and observe the OECD's Recommendation of the Counsil on Sustainable Lending Practises and Officially Supported Export Credits. Accordingly, SEK's sustainability work is integrated into its corporate governance.

The owner instruction sets further requirements for the reporting and control of SEK's administration of the CIRR system under the specially commissioned public policy assignment from the government. The socioeconomic value of this can be evaluated in part by measuring the added value that SEK generates in terms of export credits (of which CIRRs comprise a part) and in part through the company conducting a stakeholder dialogue.

Articles of Association

SEK's Articles of Association regulate such issues as the operating targets of the company. The Articles of Association does not include any provisions for the appointment or removal of Directors, except for a provision stipulating that the Chairman of the Board is to be appointed by the general meeting of shareholders and the maximum and minimum number of Directors. For amendments to be made to the Articles of Association, the notice of the extraordinary general meeting that will address amendments to the Articles of Association is to be issued not earlier than six weeks and not later than four weeks prior to the meeting. SEK's Articles of Association do not contain any limitations on the number of votes that the shareholder can cast at a general meeting of shareholders.

General meeting of shareholders

Annual General Meeting

SEK's Annual General Meeting was held on April 24, 2018. External parties were entitled to attend the meeting. The minutes of the Annual General Meeting are available at www.sek.se.

The Annual General Meeting re-elected the following Directors: Lars Linder-Aronson, Cecilia Ardström, Anna Brandt, Reinhold Geijer, Hans Larsson and Ulla Nilsson. Eva Nilsagård and Hélene Westholm were elected as new Directors. Lars Linder-Aronson was re-elected Chairman of the Board by the Meeting.

The Annual General Meeting adopted the Annual Report for 2017 submitted by the Board and the CEO, and discharged the Board and the CEO from liability for the fiscal year 2017. The Annual General Meeting also resolved, in line with the Board's proposed appropriation of profits, to pay a dividend of Skr 232 million to the shareholder. The decision was in accordance with SEK's dividend policy.

In addition, the Annual General Meeting resolved on unchanged guidelines for the remuneration of senior executives, see also under Note 5 of the Annual Report, as well as the state's ownership policy, the government's Guidelines for external reporting in state-owned companies, and the government's Guidelines for remuneration and other terms of employment for senior executives in state-owned companies as adopted by the government on December 22, 2016.

The Board of Directors

The Board's composition and nomination procedure

The nomination procedure for Directors complies with the state's ownership policy and is conducted and coordinated by the Division for State-owned companies at the Swedish Ministry of Enterprise and Innovation. A working group analyzes the skills requirements based on the composition of the Board as well as the company's operations, status, future challenges and completed Board of Directors training. Any recruitment needs are then established and the recruitment process initiated. The state's ownership policy sets out that the government seeks to achieve an even gender balance and the target is a minimum of 40 percent board representation for both women and men. Boards with six to eight directors elected by the general meeting of shareholders must include at least three persons of each gender. Directors are to be selected from a broad recruitment base with the aim of utilizing the expertise of women and men, as well as of individuals with various backgrounds and experience. Discrimination based on gender, transgender identity or expression, ethnic affiliation, religion or other belief, disability, sexual preference or age is prohibited.

SEK carries out a suitability assessment of Directors and senior executives pursuant to the regulatory framework issued by the European Banking Authority (EBA). SEK's assessment of potential new Directors is based on the owner having identified the candidate in question according to a job specification. The owner is informed of the outcome following SEK's assessment. When the procedure is complete, the nominations are disclosed publicly in accordance with the provisions of the Code.

The Articles of Association stipulate that the Board is to comprise no less than six and no more than eight Directors. Directors are elected each year at the Annual General Meeting to serve until the end of the following Annual General Meeting. The CEO is not a Director. The Board of Directors consists of five women and three men. The names, ages, and main education of the Directors, and the number of Board and Committee meetings held during the year are presented on pages 45 and 50–51. None of the Directors or the CEO hold shares or financial instruments issued by SEK.

Chairman of the Board

The Chairman of the Board is elected by the annual general meeting of shareholders. Should the Chairman resign from the assignment during the term of office, the Board is to elect a new Chairman from within its ranks to serve until the end of the general meeting that elects a new Chairman. The Chairman leads the Board's work, monitors to ensure that the Board is performing its duties, represents the Board in relation to the owner and maintains contact with the owner. The Chairman is also responsible for initiating the annual evaluation of the Board's and the CEO's work. The Chairman ensures that the Board receives adequate information and decision data for its work by, inter alia, informing the Board about what has transpired from contact with the owner. The Chairman also ensures that the Board receives the requisite training for the Board work to function efficiently, and checks that Board decisions are implemented.

The Board and its working methods

The Board is responsible for the organization and the administration of SEK's affairs of which sustainability forms an integral part. The Board is also tasked with ensuring that the company's financial statements, including sustainability reporting, are prepared in accordance with applicable legislation, accounting standards and other requirements. The Board must continually assess SEK's financial position and ensure that SEK is structured in such a way that its accounting, management of funds and SEK's other financial circumstances are governed by satisfactory controls. The Board adopts the operating targets and strategies for the operations, and issues general internal regulations in policies and instructions. The Board ensures that an efficient system is in place to monitor and control SEK's operations. In addition, the Board is tasked with appointing, and dismissing if necessary, the CEO and the Chief Risk Officer, and deciding on the remuneration of these individuals and other members of executive management.

The Board's work follows the rules of procedure and the Board's annual plan, which are adopted each year at the statutory Board meeting. The Board of Directors met on 14 occasions in 2018. The CEO attends all Board meetings except those addressing matters in which there is a conflict of interest, such as when evaluating the CEO's work.

Attendance at Board and committee meetings in 2018

	Total	Board of Directors	Remuneration Committee	Finance and Risk Committee	Credit Committee	Audit Committee
Number of meetings	51	14	7	8	14	8
Lars Linder-Aronson	51	14	7	8	14	8
Cecilia Ardström [1]	30	14	0	8	0	8
Anna Brandt	28	14	0	0	14	0
Reinhold Geijer	32	14	4	0	14	0
Hans Larsson	22	14	0	8	0	0
Eva Nilsagård [2]	13	8	0	0	0	5
Susanne Lithander [3]	10	4	3	0	0	3
Lotta Mellström [4]	10	4	3	0	0	3
Ulla Nilsson	36	14	0	8	14	0
Hélène Westholm [5]	18	9	4	0	0	5

1 Cecilia Ardström was elected as Chair of the Audit Committee on April 24, 2018.
2 Eva Nilsagård was elected as a member of the Board and the Audit Committee on April 24, 2018.
3 Susanne Lithander stepped down from the Board, Remuneration Committee and Audit Committee on April 24, 2018.
4 Lotta Mellström stepped down from the Board, Remuneration Committee and Audit Committee on April 24, 2018.
5 Hélène Westholm was elected as a member of the Board, Remuneration Committee and Audit Committee on April 24, 2018.

Board's work during the year

During 2018, the Board of Directors spent time in monitoring the company's work in adapting its operations to various regulations. Accordingly, issues relating to MiFID II and GDPR were reported to the Board. The resolution framework and its consequences for SEK's operations, were also up for discussion. It was also possible to devote a large proportion of the meeting time to forward-looking strategy issues.

The Board held its annual strategy meeting in early summer 2018. The focus was on how SEK can create even greater value for exporters by working with structured client processing and digitalization. A few of SEK's clients participated and described their need for SEK's support and expectations of SEK. One foreign bank was represented by its digitalization expert, who shared his thoughts on trends and new business models in the industry.

In November 2018, the annual Board trip was made to visit clients and business partners. In 2018 the Board visited India. Over very busy days, the Board met clients and bank business partners. The Board also gained good insight into how India functions as a market and which needs for various sustainability solutions, such as in the form of smart cities, which SEK could provide by offering adapted financing solutions.

In addition to the scheduled meetings in 2018, the Board participated in targeted training activities on four occasions. The training comprised a review of SEK's risk framework, including its Internal Capital Adequacy Assessment Process (ICAAP), a review of the internal rules on operational risk, a review of sanction regulations and smart sustainable cities.

The Board established the following committees. The Board's rules of procedure include establishing annual instructions for all of its committees. The minutes from each committee are reported at Board meetings by the respective committee's chairman.

Remuneration Committee

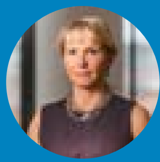
Lars Linder-Aronson (Chairman), Reinhold Geijer and Hélène Westholm

During the year, the Remuneration Committee focused in particular on culture, leadership and skills supply matters.

- Prepare matters relating to employment terms and conditions, salaries, pensions and other benefits for the CEO and the management, and general issues relating to salaries, pensions and other benefits.
- Prepare proposals regarding the remuneration policy for decision by the Board.
- Prepare proposals on salaries for other individuals in management positions for whom the Board determines the terms of remuneration.
- Evaluate compliance with the Annual General Meeting's resolutions on remuneration.

Finance and Risk Committee

Cecilia Ardström (Chairman), Lars Linder-Aronson, Hans Larsson and Ulla Nilsson

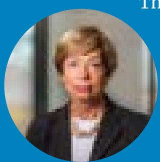


In 2018, the committee spent much time in preparing capital matters, including the issue of redeeming a subordinated loan outstanding.

- Ensure that the company can identify, measure, manage, report internally and control the risks to which it is or can be expected to be exposed.
- Prepare matters pertaining to general policies, strategies and risk appetite in all risk and capital-related issues where sustainability risk is a component, as well as regarding overall issues concerning the company's financial operations.
- Set limits for such risk and capital-related matters that the Board delegates to the Committee to determine, and to establish measurement methods and limits concerning market and liquidity risk, in addition to models for valuing financial instruments.

Credit Committee

Ulla Nilsson (Chairman), Anna Brandt, Reinhold Geijer and Lars Linder-Aronson

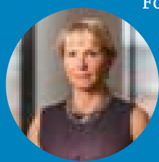


The Credit Committee decided 71 (2017: 142) cases over the year. The Committee is the final instance for credit decisions with the exception of credit decisions that are of fundamental or otherwise significant importance to the company, which are determined by the Board. In 2018, one such case occurred that related to the demands SEK makes of its counterparties in respect of sanctions. During 2018, the Committee took a closer look at how sustainability risks are addressed in SEK's lending.

- Ensure the Board's involvement in decision-making regarding credit risks.
- Prepare matters relating to credits and credit decisions that are of fundamental or otherwise significant importance to the company, and also to take decisions regarding credits in accordance with the delegation rules determined by the Board and in which sustainability aspects are included.

Audit Committee

Cecilia Ardström (Chairman), Lars Linder-Aronson, Eva Nilsagård and Hélène Westholm



For the Committee, 2018 was a year in which most activities proceeded according to plan. In addition to its ordinary work, the Committee has focused on the net interest income, matters regarding reulatory reporting (the Riksbank credit data base (KRITA)) and IFRS 9, but also placed major focus on the tender for new internal auditors: Deloitte.

- Monitor the company's financial reporting and submit recommendations and proposals aimed at assuring the reliability of the company's reporting.
- Monitor the efficiency of the company's internal control, internal audit and risk management in terms of the financial reporting.
- Evaluate the audit process and inform the Board of the results and, through the Chairman of the Board, to inform the company's owner about the results of the evaluation.
- Keep informed about the audit of the annual accounts and the consolidated financial statements, as well as the conclusions of the Supervisory Board of Public Accountants' quality control.
- Assist in the preparation of proposals regarding the selection of auditors for resolution by the general meeting of shareholders.

Policy documents
In 2018, SEK's Board and committees adopted the following policies and instructions:

Document	Issued by
The Board's rules of procedure	The Board
Code of Conduct	The Board
Sustainable Business Policy	The Board
Risk Policy	The Board
Credit Policy	The Board
Instruction for the CEO	The Board
Instruction for the Chief Risk Officer, CRO	The Board
Instruction for the Internal Audit function	The Board
Instruction for the Compliance function	The Board
Limits for market risk	The Board and CEO
Limits for liquidity risk	The Board and CEO
HR policy	The Board
Financing and liquidity strategy	Finance and Risk Committee
Credit Instruction	Credit Committee
Audit instruction	Audit Committee

Evaluation of the work of the Board of Directors and the CEO
A separate assessment of the work of the Board and CEO is carried out once a year under the leadership of the Chairman. The results of this assessment were reported to the Board and, by the Board's Chairman, to the owner. An evaluation is also performed by the owner in conjunction with the nomination of Directors. The evaluation for 2018 was conducted with particular focus on the assessment that is to be made of the Board of Directors' suitability as a group in accordance with the regulations issued by the EBA.

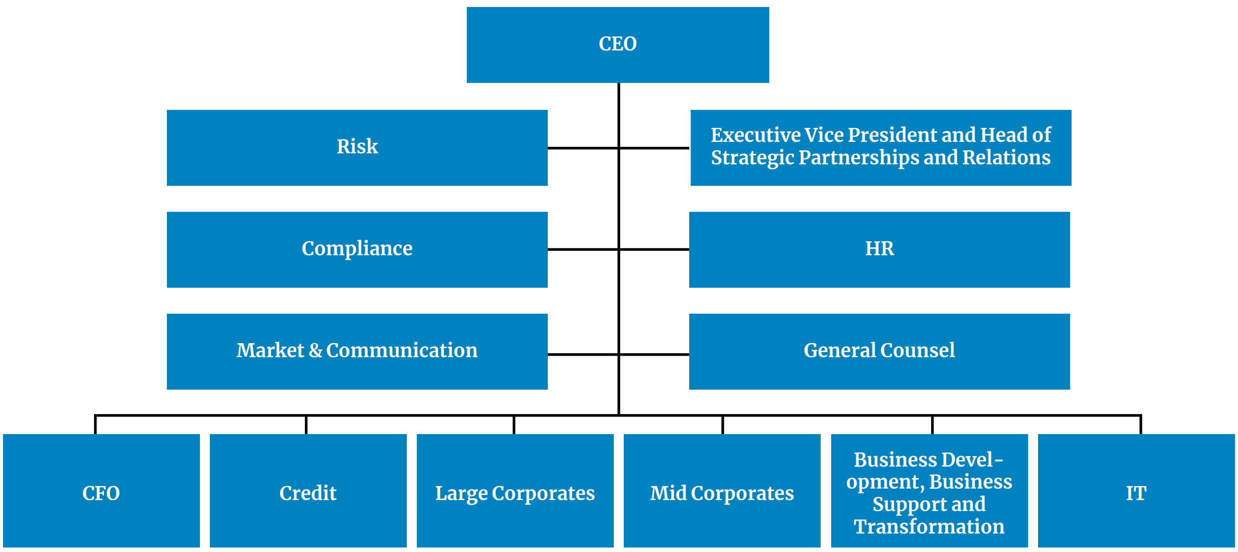
Remuneration of the Board of Directors and senior executives
Information regarding remuneration of the Board, CEO and executive management and the Board's proposals to the Annual General Meeting are presented in Note 5 of this Annual Report.

Chief Executive Officer
Catrin Fransson has been the CEO of SEK since the 2014 Annual General Meeting. Catrin Fransson was born in 1962 and has an MSc in Economics and Business from Luleå University of Technology. The Board of Directors has established an instruction for the CEO's work. The CEO is responsible for day-to-day management of business operations in accordance with the Board's guidelines, established policies and instructions. The executive management (EM) is tasked with supporting the CEO in the operational management of the company.

The CEO has appointed a Risk and Compliance Committee (RCC), which has the main task of acting as a consultative body supporting the CEO on risk-related questions and questions pertaining to regulatory compliance. The RCC is tasked with preparing questions pertaining to risk and regulatory compliance, and which are to be addressed or decided by the Finance and Risk Committee, the Audit Committee or the Board. Moreover, the RCC is responsible for following up risk reports, deviations from planned measures due to identified deficiencies, and for the implementation of new and amended regulations. The internal audit function is co-opted to all of the RCC's meetings.

According to the Credit Instruction, all decisions pertaining to credits/exposures are taken by not less than two employees jointly. Accordingly, the CEO may not take any unilateral credit decision. The Board's Credit Committee has instead delegated the mandate to the company's Credit Committee (CC). The CEO is Chairman of the CC and the Committee is to be comprised of the members appointed by the CEO. For the CC to be quorate three members must participate in the meeting. Decisions by the CC must be unanimously. In the case of disagreement, the case is referred to the Board's Credit Committee for decision.

Organization
Effective from January 1, 2019, SEK has implemented a new organization aimed at focusing client operations and strengthening business support. The Lending business area was split into two separate functions, Large Corporates and Mid Corporates. Two new functions have been established: Business Development, Business Support and Transformation; and Strategic Partnerships and Relations. Moreover, the accounting and treasury units have been reorganized as one function under the CFO.



Internal governance, control and risk management

The Board is responsible for SEK's internal governance and control. Effective internal control is built on a sound culture regarding risk, effective internal processes and procedures, as well as the proper functioning of the control environment through operationally integrated internal controls. The functions for compliance, risk and internal audit monitor the management of operational risk, and compliance with policy documents. All managers in each area of responsibility have an obligation to ensure that the operation for which they are responsible is conducted with good internal governance and control.

Compliance function

The compliance function assignment comprises identifying risks that the company may not meet its obligations according to legislation, regulations and other rules that apply to its operations requiring permits. The compliance function shall also assess the appropriateness of the measures taken to mitigate these risks. The compliance function is independent of the business operations and reports directly to the CEO. Within the framework of its assignment, the function monitors and controls the function of compliance with external and internal rules, provides advice and support to the business on compliance-related issues, and informs and trains the relevant executives. Reporting is made continuously to the CEO and quarterly in written and verbal form to the Board and the CEO. The scope and direction of the compliance function's work is established in an annual plan determined by the Board of Directors.

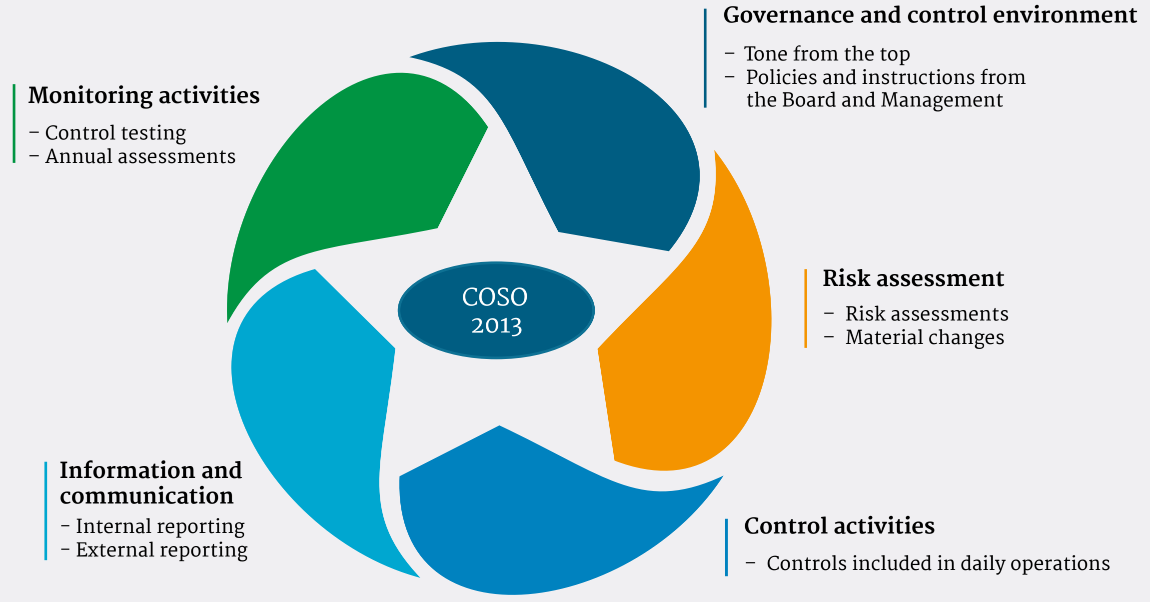
Risk function

The risk function is assigned responsibility for ensuring compliance with the overall approach and the internal rules for risk management at the company, as well as monitoring compliance with the decisions of the Board and the CEO regarding risk management and control. The assignment also includes monitoring that the company's business operations and support functions manage risk in a satisfactory manner. The Risk function is to monitor that all material risks to which SEK is exposed, or can expect to be exposed to, are identified and managed by the relevant functions. In addition, the Risk function is to check that the company has adequate ability to, as quickly as possible, collect and automatically collate data for the company's material and measurable risks and check that the IT systems that support the collation can meet various analysis requirements. The Risk function is to comprise individuals with sufficient knowledge of methods and procedures to manage risks, and of markets and products, to be able to provide relevant and independent information, analyses and expert opinions about the company's risks. The person responsible for the independent risk control function is the CRO, who reports directly to the CEO, and reports regularly to the Board of Directors and the CEO.

Internal audit

SEK has an independent internal audit function that reviews the company's internal governance and control. The Board establishes the auditing assignment each year by means of an audit plan, which takes into account the mandatory audits required by applicable legislation. The assignment involves checking and assessing whether the company's risk management, governance, control, reporting and management processes and regulatory compliance are effective. The internal audit reports its observations to the Board and the CEO. In 2018, the Board commissioned an external party, KPMG, to be responsible for the internal audit. As of 2019, this assignment has been transferred to another external party, Deloitte. The appointment of an external party to perform the internal audit provides SEK with access to significant and extensive capa-

Framework for internal control



bilities for auditing the company's regulatory compliance, particularly capital adequacy, including audits of ICAAP and the company's IRB model.

Code of Conduct

It is the responsibility of the CEO to establish guidelines so that all employees understand the requirement for maintaining ethical values and the role of each individual in such work, as regulated in part by the Code of Conduct, which is adopted each year by the Board, and signed by all employees. The Code of Conduct demands integrity and ethical conduct and is communicated to employees through annual training sessions. Suspected conduct that could involve or lead to a breach of the law, unethical behavior, infringement or suspected breach of the Code of Conduct must be reported. These types of breaches can also be reported anonymously via SEK's whistle-blower system, which is managed by a third party. SEK's Code of Conduct is available at www.sek.se.

Internal governance, control and risk management with regard to financial reporting

To ensure correct and reliable financial reporting, SEK has developed a management system for financial reporting based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework for internal control (2013 version). This internal control framework is divided into five components: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring Activities.

Governance and control environment

The governance and control environment comprises, for example, the attitude from the management, as well as policies and instructions from the Board of Directors and executive management. For a strong internal control environment, it is important that the Board of Directors and executive management indicate the significance of good internal control and that there are relevant and appropriate policies and instructions in the area.

Risk assessment

SEK performs an annual risk assessment at management, function and process level. The aim is to identify, document and quantify the consequences and probability of events occurring that could entail that SEK's targets cannot be achieved. The company carries out regular risk assessments during the year in the event of material changes for the company.

Control activities

Controls have been designed based on identified risks to prevent, detect and correct errors and discrepancies.

The controls are conducted as company-wide controls, as general IT controls and at transaction level. Company-wide controls include instructions and procedures regarding authorizations, powers and responsibilities relating to credit granting, and monitoring of compliance. General IT controls include change management, back-up procedures and rights.

Transaction-based controls, whether manual or automated, are carried out to manage the risk of errors occurring in financial reporting. Such controls include reconciliations and analyses. Processes and controls are documented in the form of flow charts and descriptions of individual control activities, which specify who executes a particular control, how it is implemented and how implementation of the control is to be documented.

Information and communication

Policies, instructions, guidelines and operating procedures are continually updated and communicated to the staff via relevant channels, primarily via the intranet, internal training and personnel meetings. Formal and informal communication between staff and management is promoted by the small number of employees and their geographic location, primarily at one office.

Monitoring activities

Monitoring and testing of control activities are carried out on an ongoing basis throughout the year to ensure that risks are taken into account and managed satisfactorily. Testing is carried out by staff who are independent of the implementation of controls and who are capable of evaluating the implementation of controls. Measures to address any deficiencies are monitored by the Risk and Compliance Committee and the Audit Committee. The executive management has also established controls to ensure that appropriate measures are taken in response to the recommendations made by the internal audit function and by the auditors elected by the Annual General Meeting.

SEK is a foreign private issuer as defined by US regulations and is therefore also affected by the US Sarbanes-Oxley Act (SOX). SOX requires the executive management to assess and comment, each year, on the efficiency of the internal control of financial reporting based on the testing of internal controls. No corresponding expression of opinion is required of the company's auditors for the category of companies to which SEK belongs under the US regulatory framework. The executive management has assessed the internal control of financial reporting in accordance with the rules applicable to foreign private issuers. At December 31, 2018, the conclusion was that effective and efficient controls were in place relating to internal control of financial reporting.

Auditors

The 2018 Annual General Meeting elected Öhrlings PricewaterhouseCoopers AB as auditor of the company, with auditor Peter Nyllinge as Principal Auditor and Authorized Public Accountant Anneli Granqvist as co-signing auditor. The Swedish National Audit Office may appoint one or more auditors to participate in the annual audit. However, this did not occur in 2018.

Each year, the Audit Committee reviews the audit plan and is informed of the audit observations on an ongoing basis. The company's auditors are always present at the meetings of the Audit Committee and were present at one Board meeting. The Board of Directors holds a meeting with the company's auditors at least once a year without the attendance of the CEO or any other member of the executive management. The Board also receives summary audit reports.

The Board of Directors

Lars Linder-Aronson

Chairman of the Board, Chairman of SEK's Remuneration Committee. Member of SEK's Finance and Risk Committee, SEK's Credit Committee and SEK's Audit Committee
Born: 1953
Education: MSc Economics and Business, Stockholm School of Economics
Elected: 2011
Previous positions: Managing Director Enskilda Securities AB and Deputy Managing Director Skandinaviska Enskilda Banken AB
Other appointments: Chairman of the Board: Nordisk Renting AB. Director: Facility Labs AB and Bright Group Oy

Cecilia Ardström

Director, Chairman of SEK's Finance and Risk Committee and SEK's Audit Committee
Born: 1965
Education: Economics, Gothenburg School of Business, Economics and Law
Elected: 2011
Previous positions: Chief Financial Officer and Head of Asset Management, Länsförsäkringar AB. Head of Treasury, Tele2 Group. Head of Asset Management and CIO, Folksam Group
Other appointments: Director: Guldsillen AB; Stockholms Stads Brandförsäkringskontor AB and AMF Fonder AB

Anna Brandt

Director, Member of SEK's Credit Committee
Born: 1961
Education: MSc Economics and Business, Stockholm School of Economics
Elected: 2017
Previous positions: Executive Director and Member of the Board: the World Bank; the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB). Ambassador for Agenda 2030 at the Ministry for Foreign Affairs, Ambassador to Nairobi, Kenya and Ambassador to Dublin, Irland
Current position: Ambassador and permanent representative of Sweden to the OECD and UNESCO, Paris

Reinhold Geijer

Director, Member of SEK's Credit Committee and SEK's Remuneration Committee
Born: 1953
Education: MSc Economics and Business, Stockholm School of Economics
Elected: 2017
Previous positions: Chief Executive Officer, the Royal Bank of Scotland, Nordic Branch. Chief Executive Officer, Nordisk Renting AB. Executive Vice President, Telia AB. Chief Executive Officer, Swedbank. Earlier employments in Ericsson Radio Systems AB, SSAB Swedish Steel and Weyerhaeuser Integrated Forest Company, USA
Other appointments: Chairman of the Board, BTS Group AB. Director, Edsbyn Senab AB; Eterna Invest AB; Zacco A/S and Livförsäkringsaktiebolaget Skandia ömsesidigt

Auditors: Öhrlings Pricewaterhouse Coopers AB, auditors at SEK since 2017.
Principal auditor: Authorized Public Accountant Peter Nyllinge. Born: 1966. Auditor at SEK since 2017.
Co-signing auditor: Authorized Public Accountant Anneli Granqvist. Born: 1972. Auditor at SEK since 2017.

Hans Larsson

Director, Member of SEK's Finance and Risk Committee
Born: 1961
Education: Bachelor of Business Administration and Economics, Uppsala University. Advanced Management Program (AMP), Stockholm School of Economics (SSE)
Elected: 2017
Previous positions: Head of Group Strategy & Business Development, SEB. Executive Vice President and Chief of Staff, Lindorff Group. Director Nordax AB and Nordax Bank AB
Other appointments: Chairman of the Board, Nordnet AB and Linderyd Advisory AB. Director, Intrum Justitia AB
Current position: Chief Executive Officer, Linderyd Advisory AB and Lunda Advisory AB

Ulla Nilsson

Director, Chairman of SEK's Credit Committee and member of SEK's Finance and Risk Committee
Born: 1947
Education: M. Pol. Sc.; and Economics and Business Administration, Uppsala University.
Elected: 2011
Previous positions: Managing Director, Swedish Chamber of Commerce to the United Kingdom. Skandinaviska Enskilda Banken AB: Global Head of SEB Futures London, Chairman of Enskilda Futures Limited London, Head of Trading & Capital Markets Singapore, Head of Treasury Luxemburg and Skånska Banken
Other appointments: Honorary Vice President, Swedish Chamber of Commerce to the United Kingdom

Eva Nilsagård

Director, Member of SEK's Audit Committee
Born: 1964
Education: MSc in accounting and financial management and Executive MBA from the School of Business, Economics and Law at the University of Gothenburg
Elected: 2018
Previous positions: CFO, Plastal Industri AB. SVP Strategy & Business development, Volvo Trucks (EMEA). CFO, Vitrolife AB. VP Finance & IT, Volvo Penta. Other senior positions within finance and business development in Volvo, the AstraZeneca Group and SKF.
Other appointments: Director and Chairman of the audit committee, AddLife AB and Irras AB. Director and member of the audit committee, Bufab AB
Current positions: Founder and CEO Nilsagård consulting

Hélène Westholm

Director, Member of SEK's Remuneration Committee and SEK's Audit Committee
Born: 1971
Education: MSc Economics and Business, Uppsala University
Elected: 2018
Previous positions: Corporate Finance, Erik Penser Bankaktiebolag. Investment Manager, Nordstjernan AB. Earlier employments in TeliaSonera AB and Unilever Sverige AB
Other appointments: Director, AB Svensk Bilprovning and AB Svenska Spel
Current positions: Investment director, Division for State-Owned Enterprises, Ministry of Enterprise and Innovation

No members of the Board hold shares or other financial instruments in the company.
Changes after December 31, 2018: Hélène Westholm has stepped down from the Board, the Remuneration Committee and the Audit Committee effective January 31, 2019. Hanna Lagercrantz has been co-opted to act as her replacement up to and including the Annual General Meeting on March 28, 2019.

Management

Catrin Fransson
CEO
Born: 1962
Education: MSc Economics and Business, Luleå University
Employed: 2014
Other appointments: Chairman of the Board, Almi Företagspartner Stockholm Sörmland AB and member of the Board of Trustees, SNS (Centre for Business and Policy Studies)

Per Åkerlind
Executive Vice President, Head of Treasury and Capital Management
Born: 1962
Education: MSc in Engineering, the Royal Institute of Technology, Stockholm
Employed: 1990
Other appointments: Chairman of the Board of the Swedish Society of Financial Analysts (SFF) and chairman of the Credit Markets Group

Karl Johan Bernerfalk
General Counsel
Born: 1972
Education: LLM, Lund University
Employed: 2007
Other appointments: –

Andreas Ericson
Head of Mid Corporates
Born: 1976
Education: Business Studies Program, University of Westminster
Employed: 2010
Other appointments: Director, Cold Lake AB; Hanson Motor i Mora AB and Gravesen Invest AB

Stefan Friberg
Chief Risk Officer
Born: 1968
Education: MSc Business and Economics, Stockholm University
Employed: 2015
Other appointments: –

Teresa Hamilton Burman
Chief Credit Officer
Born: 1962
Education: MSc Business and Economics, Stockholm University
Employed: 2015
Other appointments: –

Changes after December 31, 2018: Due to SEK's organizational changes three members of management have new areas of responsibility: Per Åkerlind is Deputy CEO and Head of Strategic Partnerships and Relations, Stefan Friberg is Chief Financial Officer (CFO) and Susanna Rystedt is Head of Business Development, Business Support and Transformation. Irina Slinko is acting Chief Risk Officer. Johan Henningsson, SEK's Head of Sustainability reports to the Head of Strategic Partnerships and Relations and is no longer part of the management.

Jens Hedar
Head of Large Corporates
Born: 1974
Education: Studies at the Stockholm School of Economics
Employed: 2007
Other appointments: –

Johan Henningsson
Head of Sustainability
Born: 1965
Education: PhD Industrial Economics and Organisations, Mälardalen University; and MBA International Business Studies, University of Gothenburg
Employed: 2006
Other appointments: –

Petra Könberg
Head of Marketing and Communications
Born: 1969
Education: Market Economist DIHM, IHM Business School Stockholm
Employed: 2017
Other appointments: –

Sirpa Rusanen
Chief Human Resources Officer
Born: 1964
Education: Behavioral Science Degree, Lund University
Employed: 2005
Other appointments: –

Susanna Rystedt
Chief Administrative Officer
Born: 1964
Education: MSc Economics and Business, Stockholm School of Economics
Employed: 2009
Other appointments: Director, AB Trav och Galopp

Madeleine Widaeus
Chief Information Officer
Born: 1970
Education: MSc in Engineering, Mechanical Engineering, Manufacturing Systems, the Royal Institute of Technology, Stockholm (KTH) and University certificate in Business Administration, Stockholm University
Employed: 2018
Other appointments: –

Consolidated Statement of Comprehensive Income

Skr mn	Note	2018	2017
Interest income calculated using effective interest method		4,390	3,276
Other interest income		763	620
Interest expenses		–3,711	–2,213
Net interest income	**2**	**1,442**	**1,683**
Net fee and commission expense	3	–32	–28
Net results of financial transactions	4	19	–102
Other operating income		–2	–
Total operating income		**1,427**	**1,553**
Personnel expenses	5	–311	–320
Other administrative expenses	6	–231	–232
Depreciation and impairment of non-financial assets	7	–40	–45
Total operating expenses		**–582**	**–597**
Operating profit before credit losses		845	**956**
Net credit losses	9	7	51
Operating profit		**852**	**1,007**
Tax expenses	10	–204	–235
Net profit[1]		**648**	**772**
Other comprehensive income related to:			
Items to be reclassified to profit or loss			
Available-for-sale securities[2]		–	–33
Derivatives in cash-flow hedges[2]		–25	–91
Tax on items to be reclassified to profit or loss	10	6	27
Net items to be reclassified to profit or loss		**–19**	**–97**
Items not to be reclassified to profit or loss			
Own credit risk		374	–
Revaluation of defined benefit plans		–48	–4
Tax on items not to be reclassified to profit or loss	10	–72	1
Net items not to be reclassified to profit or loss		**254**	**–3**
Total other comprehensive income		**235**	**–100**
Total comprehensive income[1]		**883**	**672**

Skr		
Basic and diluted earnings per share[3]	162	193

1 The entire profit is attributable to the shareholder of the Parent Company.
2 See the Consolidated Statement of Changes in Equity
3 The average number of shares in 2018 amounts to 3,990,000 (2017: 3,990,000)

Consolidated Statement of Financial Position

Skr mn	Note	December 31, 2018	December 31, 2017
Assets			
Cash and cash equivalents	11, 12	2,416	1,231
Treasuries/government bonds	11, 12	11,117	4,382
Other interest-bearing securities except loans	11, 12	48,665	39,807
Loans in the form of interest-bearing securities	11, 12	36,781	41,125
Loans to credit institutions	9, 11, 12	27,725	23,198
Loans to the public	8, 9, 11, 12	161,094	141,111
Derivatives	12, 14	6,529	7,803
Tangible and intangible assets	7	69	88
Other assets	16	4,980	3,556
Prepaid expenses and accrued revenues	17	2,657	2,091
Total assets		**302,033**	**264,392**
Liabilities and equity			
Borrowing from credit institutions	12, 18	2,247	2,317
Debt securities issued	12, 18	255,600	222,516
Derivatives	12, 14	21,934	16,480
Other liabilities	19	1,069	826
Accrued expenses and prepaid revenues	20	2,583	2,063
Deferred tax liabilities	10	276	531
Provisions	5, 21	85	45
Subordinated liabilities	12, 22	–	2,040
Total liabilities		**283,794**	**246,818**
Share capital		3,990	3,990
Reserves		-153	30
Retained earnings		14,402	13,554
Total equity	**23**	**18,239**	**17,574**
Total liabilities and equity		**302,033**	**264,392**

Consolidated Statement of Changes in Equity

Skr mn	Equity	Share capital	Reserves: Hedge reserve	Reserves: Fair value reserve	Reserves: Own credit risk	Reserves: Defined benefit plans	Retained earnings
Opening balance of equity January 1, 2017	17,136	3,990	96	35		-1	13,016
Net profit for the year	772						772
Other comprehensive income related to:							
Items to be reclassified to profit or loss							
Available-for-sale securities	-33			-33			
Derivatives in cash-flow hedges	-91		-91				
Tax on items to be reclassified to profit or loss	27		20	7			
Items not to be reclassified to profit or loss							
Revaluation of defined benefit plans	-4					-4	
Tax on items not to be reclassified to profit or loss	1					1	
Total other comprehensive income	**-100**		**-71**	**-26**		**-3**	
Total comprehensive income	**672**		**-71**	**-26**		**-3**	**772**
Dividend	-234						-234
Closing balance of equity 2017[1,2]	**17,574**	**3,990**	**25**	**9**		**-4**	**13,554**
Effects of the implementation of IFRS 9[2]	14			-9	-409		432
Adjusted opening balance of equity Jan 1, 2018	17,588	3,990	25	-	-409	-4	13,986
Net profit for the year	648						648
Other comprehensive income related to:							
Items to be reclassified to profit or loss							
Available-for-sale securities							
Derivatives in cash-flow hedges	-25		-25				
Tax on items to be reclassified to profit or loss	6		6				
Items not to be reclassified to profit or loss							
Own credit risk	374				374		
Revaluation of defined benefit plans	-48					-48	
Tax on items not to be reclassified to profit or loss	-72				-82	10	
Total other comprehensive income	235		-19		292	-38	
Total comprehensive income	883		-19		292	-38	648
Dividend	-232						-232
Closing balance of equity 2018[1,2]	**18,239**	**3,990**	**6**	**-**	**-117**	**-42**	**14,402**

1 The entire equity is attributable to the shareholder of the Parent Company.
2 See Note 23.

Statement of Cash Flows in the Consolidated Group

Skr mn	2018	2017
Operating activities		
Operating profit[1]	852	1,007
Adjustments for non-cash items in operating profit		
Provision for credit losses, net	-7	-51
Depreciation and impairment of non-financial assets	40	45
Exchange-rate differences	5	0
Unrealized changes in fair value	-40	110
Other	16	170
Total adjustments for non-cash items in operating profit	**14**	**274**
Income tax paid	-366	-365
Increase (-)/decrease (+) in lending	-9,016	3,394
Increase (-)/decrease (+) in bonds and securities held	-13,782	6,738
Other changes in assets and liabilities – net	-1,347	-1,598
Cash flow from operating activities	**-23,645**	**9,450**
Investing activities		
Investments	-21	-10
Cash flow from investing activities	**-21**	**-10**
Financing activities		
Senior debt	92,045	115,040
Repayments of debt	-59,390	-86,266
Repurchase and early redemption of own long-term debt	-7,553	-38,693
Change in subordinated debt	-2,322	-
Derivatives	1,830	-4,931
Dividend paid	-232	-234
Cash flow from financing activities	**24,378**	**-15,084**
Net cash flow for the period	**712**	**-5,644**
Cash and cash equivalents at beginning of the year	1,231	7,054
Net cash flow for the period	712	-5,644
Exchange-rate differences on cash and cash equivalents	473	-179
Cash and cash equivalents at end of year[2]	**2,416**	**1,231**
of which cash at banks	*374*	*600*
of which cash equivalents	*2,042*	*631*

1 Interest payments received and expenses paid		
Interest payments received	4,586	3,965
Interest expenses paid	3,192	2,139

2 Cash and cash equivalents include, in this context, cash at banks that can be immediately converted into cash and short-term deposits for which the time to maturity does not exceed three months from trade date. See Note 11.

Parent Company Income Statement

Skr mn	Note	2018	2017
Interest income calculated using the effective interest method		4,390	3,276
Other interest income		763	620
Interest expenses		-3,711	-2,213
Net interest income	**2**	**1,442**	**1,683**
Dividend from subsidiary	15	–	1
Net fee and commission income	3	-32	-28
Net results of financial transactions	4	393	-101
Other operating income		-2	–
Total operating income		**1,801**	**1,555**
Personnel expenses	5	-319	-322
Other administrative expenses	6	-232	-232
Depreciation and impairment of non-financial assets	7	-40	-45
Total operating expenses		**-591**	**-599**
Operating profit before credit losses		**1,210**	**956**
Net credit losses	9	0	49
Impairment of financial fixed assets[1]		7	–
Operating profit		**1,217**	**1,005**
Changes in untaxed reserves	10	1,123	121
Taxes expenses	10	-531	-262
Net profit		**1,809**	**864**

1 Impairment of financial fixed assets represents impairment of loans in the form of interest bearing securities.

Parent Company Statement of Comprehensive Income

Skr mn	Note	2018	2017
Net profit for the year (after taxes)		**1,809**	**864**
Other comprehensive income related to:			
Items to be reclassified to profit or loss			
Available-for-sale securities[1]		–	-33
Derivatives in cash-flow hedges[1]		-26	-91
Tax on items to be reclassified to profit or loss	10	6	27
Net items to be reclassified to profit or loss		**-20**	**-97**
Total other comprehensive income		**-20**	**-97**
Total comprehensive income		**1,789**	**767**

1 See the Parent Company Statement of Changes in Equity.

Parent Company Balance Sheet

Skr mn	Note	December 31, 2018	December 31, 2017
Assets			
Cash and cash equivalents	11, 12	2,415	1,216
Treasuries/government bonds	11, 12	11,117	4,382
Other interest-bearing securities except loans	11, 12	48,665	39,807
Loans in the form of interest-bearing securities	11, 12	36,782	41,125
Loans to credit institutions	9, 11, 12	27,725	23,198
Loans to the public	8, 9, 11, 12	161,094	141,111
Derivatives	12, 14	6,529	7,803
Shares in subsidiaries	15	0	24
Tangible and intangible assets	7	69	88
Other assets	16	4,980	3,556
Prepaid expenses and accrued revenues	17	2,657	2,091
Total assets		**302,033**	**264,401**
Liabilities and equity			
Borrowing from credit institutions	12, 18	2,247	2,317
Debt securities issued	12, 18	255,600	222,516
Derivatives	12, 14	21,934	16,480
Other liabilities	19	1,069	833
Accrued expenses and prepaid revenues	20	2,583	2,063
Provisions	5, 21	15	15
Subordinated liabilities	12, 22	–	2,040
Total liabilities		**283,448**	**246,264**
Untaxed reserves	**10**	**1,321**	**2,444**
Non-distributable capital			
Share capital		3,990	3,990
Legal reserve		198	198
Fund for internally developed software		22	28
Distributable capital			
Fair value reserve		6	35
Retained earnings		11,239	10,578
Net profit for the year		1,809	864
Total equity	**23**	**17,264**	**15,693**
Total liabilities and equity		**302,033**	**264,401**

Parent Company Statement of Changes in Equity

Skr mn	Equity	Share capital	Legal reserve	Fund for internally developed software	Fair value reserve: *Hedge reserve*	Fair value reserve: *Fair value reserve*	Retained earnings
Opening balance of equity 2017	15,159	3,990	198	29	96	35	10,811
Net profit for the year	864						864
Other comprehensive income related to:							
Items to be reclassified to profit or loss							
Available-for-sale securities	-33					-33	
Derivatives in cash-flow hedges	-90				-90		
Tax on items to be reclassified to profit or loss	27				20	7	
Total other comprehensive income	**-96**				**-70**	**-26**	
Total comprehensive income	**768**				**-70**	**-26**	**864**
To the net results				-1			1
Dividend	-234						-234
Closing balance of equity 2017[1]	**15,693**	**3,990**	**198**	**28**	**26**	**9**	**11,442**
Effects of the implementation of IFRS 9	14					-9	23
Adjusted opening balance of equity Jan 1, 2018	15,707	3,990	198	28	26	-	11,465
Net profit for the year	1,809						1,809
Other comprehensive income related to:							
Items to be reclassified to profit or loss:							
Available-for-sale securities							
Derivatives in cash-flow hedges	-26				-26		
Tax on items to be reclassified to profit or loss	6				6		
Total other comprehensive income	**-20**				**-20**		
Total comprehensive income	**1,789**				**-20**		**1,809**
To the net results				-6			6
Dividend	-232						-232
Closing balance of equity 2018[1]	**17,264**	**3,990**	**198**	**22**	**6**	**-**	**13,048**

1 See Note 23.

Statement of Cash Flows in the Parent Company

Skr mn	2018	2017
Operating activities		
Operating profit[1]	1,217	1,005
Adjustments for non-cash items in operating profit		
Provision for credit losses, net	-7	-49
Depreciation and impairment of non-financial assets	40	45
Gain on sale of subsidiary	24	-7
Exchange-rate differences	-3	0
Unrealized changes in fair value	-40	110
Other	-303	175
Total adjustments for non-cash items in operating profit	**-289**	**274**
Income tax paid	-366	-365
Increase (-)/decrease (+) in lending	-9,017	3,392
Increase (-)/decrease (+) in bonds and securities held	-13,782	6,738
Other changes in assets and liabilities - net	-1,394	-1,586
Cash flow from operating activities	**-24,559**	**9,458**
Investing activities		
Capital expenditures	-21	-10
Cash flow from investing activities	**-21**	**-10**
Financing activities		
Senior debt	92,045	115,040
Repayments of debt	-59,390	-86,266
Repurchase and early redemption of own long-term debt	-7,553	-38,693
Change in subordinated debt	-2,322	-
Derivatives	1,830	-4,931
Dividend paid	-232	-234
Cash flow from financing activities	**24,378**	**-15,084**
Net cash flow for the period	**726**	**-5,636**
Cash and cash equivalents at beginning of the year	1,216	7,031
Net cash flow for the period	726	-5,636
Exchange-rate differences on cash and cash equivalents	473	-179
Cash and cash equivalents at end of year[2]	**2,415**	**1,216**
of which cash at banks	*374*	*585*
of which cash equivalents	*2,041*	*631*

1 **Interest payments received and expenses paid**

Interest payments received	4,586	3,965
Interest expenses paid	3,192	2,139

2 Cash and cash equivalents include, in this context, cash at banks that can be immediately converted into cash and short-term deposits for which the time to maturity does not exceed three months from trade date. See Note 11.

Notes

Note table

Note 1. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated Financial Statements, unless otherwise stated.

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(a) Reporting entity

AB Svensk Exportkredit ("SEK" or "the Parent Company") is domiciled in Sweden. The address of the Company's registered office is Klarabergsviadukten 61–63, P.O. Box 194, SE-101 23 Stockholm, Sweden. The Consolidated Group as of December 31, 2018 consists of SEK and its wholly owned, non-active subsidiary, SEKETT AB. These are jointly referred to as the "Consolidated Group" or the "Group". During 2018, the winding-down of the subsidiary Venantius AB, including the latter's wholly owned subsidiary VF Finans AB, was completed.

(b) Basis of presentation

(i) Statement of compliance

The consolidated accounts have been compiled in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The IFRS standards applied by SEK are all endorsed by the European Union (EU). Additional standards, consistent with IFRS, are imposed by the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559) (ÅRKL), Recommendation RFR 1, Supplementary Accounting Principles for Groups, issued by the Swedish Financial Reporting Board (RFR), and the accounting regulations of the Swedish FSA (FFFS 2008:25), all of which have been complied with in preparing the Consolidated Financial Statements, of which these notes form a part. SEK also follows the Swedish Government's general guidelines regarding external reporting in accordance with the State's ownership policy and guidelines for state-owned companies. The accounting policies of the Parent Company match those used in the preparation of the Consolidated Financial Statements, except as stated in Note 1, section (q) below. The Parent Company's results and total assets represent most of the results and total assets of the Consolidated Group. The information in these notes relates to both the Consolidated Group and the Parent Company, unless otherwise are stated.

Certain additional disclosures required by applicable regulations or legislation are included in the notes, or with reference to the "Risk and Capital Management" section (pages 36-41). Such information is deemed to be incorporated herein by reference. Disclosures regarding sustainability and policy for diversity are included in the financial- and sustainability notes, and on pages 29 and 43-49.

The Consolidated Financial Statements and the Parent Company's annual report were approved for issuance by SEK's Board of Directors on February 21, 2019. The Group's Statements of Comprehensive Income and Financial Position and the Parent Company's Income Statement and Balance Sheet will be subject to approval by SEK's shareholder at the Annual General Meeting to be held on March 28, 2019.

(ii) Basis of measurement

The Consolidated Financial Statements have been prepared on an amortized cost basis, subject to the following exceptions:

- all derivatives are measured at fair value,
- financial instruments — measured at fair value through profit or loss — are measured at fair value,
- available-for-sale financial assets, are measured at fair value, (historical values according to IAS 39), and
- when applying hedge accounting at fair value, amortized cost is adjusted in the Consolidated Financial Statements based on the underlying hedged item, to reflect changes in fair value with regard to the hedged risk.

(iii) Functional and presentation currency

SEK has determined that the Swedish krona (Skr) is the Parent Company's functional and presentation currency under IFRS. Significant factors are that SEK's equity is denominated in Swedish kronor, its performance is evaluated based on a result expressed in Swedish kronor, and that a large portion of SEK's expenses, especially personnel expenses, other expenses and taxes, are denominated in Swedish kronor. SEK manages its foreign currency risk by hedging exposures between the Swedish kronor and other currencies.

(iv) Going concern

SEK's Board of Directors and management have made an assessment of SEK's ability to continue as a going concern and are satisfied that SEK has the resources to continue operations for the foreseeable future. The Board of Directors and management are not aware of any material uncertainties that could cast significant doubt upon SEK's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on a going-concern basis.

(c) Changes to accounting policies and presentation

In all significant respects, the accounting policies, bases of calculation and presentation are unchanged compared with the 2017 Annual Report, except for the application of the new and amended standards from IASB that entered into force beginning January 1, 2018 and the offset of derivative assets and derivative liabilities in relation to central clearing counterparties. In addition to the above changes, certain amounts reported in prior periods have been restated to conform to the current presentation. SEK analyzes and assesses the application and impact of changes in financial reporting standards that are applied within the Group. Changes that have not been named are either not applicable to SEK or have been adjudged to not have a material impact on SEK's financial reporting.

(i) IFRS 9 Financial instrument

As of January 1, 2018, SEK began applying IFRS 9 Financial Instruments, which replaced the previous regulatory framework IAS 39 Financial Instruments: Recognition and Measurement. The impact of the transition to IFRS 9 on SEK is summarized as follows:

- As of January 1, 2018, SEK assessed its liquidity investments, which were previously classified as available-for-sale assets. The conclusion of the assessment was that liquidity investments are included in a portfolio where the business model entails measurement at fair value and, accordingly, they are recognized at fair value through profit or loss (FVTPL). Liquidity investments that were previously classified at fair value pursuant to the fair value option (FVO) are also classified at FVTPL. Certain fixed-rate liquidity investments were previously subject to hedge accounting and, as of January 1, 2018, these hedge accounting relationships have been terminated since liquidity investments are now measured at FVTPL.
- SEK's lending meets the conditions for the solely payments of principal and interest (SPPI) tests and uses a business model that aims to collect contractual cash flows, which means SEK's lending is measured at amortized cost.
- Gains and losses that arise from changes in SEK's own credit risk on liabilities designated at fair value are recognized in the reserve for own credit risk under Other comprehensive income and are not reclassified to profit or loss in the Financial Statements of the Group. In the Financial Statements of the Parent Company, these gains and losses continue to be recognized under Net results of financial transactions in Net profit, consistent with past practice.
- The principle applied for the impairment of exposures has changed from an approach based on incurred credit loss events under IAS 39 to an approach based on expected credit losses (ECL). IFRS 9 requires that all assets measured at amortized cost, including credit commitments and financial guarantees, are to be tested for any impairment, which differs from IAS 39, where collective provisions are not made for off-balance-sheet items or available-for-sale financial assets. Loss allowances (ECL) are expected to mean lower initial impairment amounts but higher volatility over time.
- As of January 1, 2018, the transition to IFRS 9 had a total impact on the Group's equity of Skr 14 million. IFRS 9 had no material impact on the Group's capital adequacy and large exposure ratios. SEK is not restating comparative periods. Comparative information for 2017 is reported pursuant to IAS 39 and is not comparable with the information presented for 2018 under IFRS 9. Differences arising from the introduction of IFRS 9 are recognized directly in retained earnings as of January 1, 2018.

Changes in the classification and measurement of financial assets and liabilities. While the existing categories for financial assets are being removed, the three valuation approaches are being kept: fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI), and amortized cost. To determine what to recognize and how to do so, a new evaluation model is being introduced, based on the business model, which is assessed at portfolio level, and type of cash flows, which is assessed at instrument level. The option remains on initial recognition of a transaction, to recognize financial instruments at FVTPL in cases where it eliminates or significantly reduces inconsistencies in valuations and accounting (FVO).

The rules under IAS 39 are essentially transferred for the recognition of financial liabilities, with the exception of gains and losses arising from changes in SEK's own credit risk on liabilities classified in accordance with FVO. Under IFRS 9, these value changes are recognized in other comprehensive income. Recognition of embedded derivatives in financial liabilities remains unchanged.

From January 1, 2018, SEK is classifying financial assets on the basis of the business model and type of cash flow (the asset's terms and conditions) as either:

- Financial assets at amortized cost (AMC) or
- Financial assets at fair value through profit or loss (FVTPL)

Financial liabilities are measured at amortized cost or, if the liability is a derivative or when FVO is used, at FVTPL. The previous category Other financial liabilities has changed its name to Financial liabilities measured at amortized cost (AMC), in other words, a financial liability is classified either as:

- Financial liabilities at amortized cost (AMC) or
- Financial liabilities measured at fair value through profit or loss (FVTPL)

From January 1, 2018, SEK is not reclassifying financial assets, apart from exceptional cases that would change SEK's fundamental business model.

Changes in the impairment of financial assets. IFRS 9 entails a general change in the approach to the recognition of impairment of financial assets, since the principle applied for the impairment of exposures has changed from the approach based on incurred credit loss events under IAS 39 to instead be based on expected credit losses. SEK's calculation of the collectively-assessed credits reserve under IAS 39 was also based on a method using expected credit losses. IFRS 9 states that all assets measured at amortized cost, including credit commitments and financial guarantees, are to be tested for any impairment need, which differs from IAS 39, where collective provisions are not made for off-balance-sheet items or available-for-sale financial assets.

Changes in hedge accounting. The new rules on hedge accounting allow entities to better reflect risk management activities in financial reporting. IFRS 9 opens opportunities to improve and simplify hedge accounting, which primarily impacts the administrative process for hedge accounting at SEK. The standard expands possibilities for hedging the risk components of non-financial items and allows the inclusion of more types of instruments in a hedge relationship. Moreover, the previous quantitative requirement of 80–125 percent in effect is removed. The three types of hedge relationships set out in IAS 39 (fair-value hedges, cash-flow hedges and hedges of net investment in a foreign operation) are unchanged in IFRS 9. The accounting for each type of hedge is also the same as in IAS 39. SEK only uses fair-value hedges.

A hedging relationship qualifies for hedge accounting only if all of the following criteria are met:

- the hedging relationship consists only of eligible hedging instruments and eligible hedged items;
- at its inception there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge; and
- the relationship meets all of the hedge effectiveness requirements.

(ii) IFRS 15 Revenue from Contracts with Customers

As of January 1, 2018, SEK also applied the new standard IFRS 15, which describes a comprehensive model for the recognition of revenue from contracts with customers and which replaces current IFRS standards and interpretations for revenue recognition, such as IAS 18 Revenue. The standard is a five-step model, including accounting and measurement requirements, as well as new disclosures. The standard does not apply to financial instruments or leasing contracts. The major part of the revenues classified as commission earned constitutes revenue from contracts with customers according to IFRS 15. SEK adopted the standard with retroactive application, and comparative figures are not recalculated. The adoption of IFRS 15 has not resulted in any changed accounting principles, and therefore does not affect equity. The standard will not have any material impact on SEK's Financial Statements, capital adequacy or large exposures.

(iii) IAS 1.82 Interest income calculated using the effective interest method

As of December 31, 2018 SEK presented interest income calculated using the effective interest method separately in the Consolidated Statement of Comprehensive Income and Parent Company Income Statement due to changes in IAS 1.82. Comparatives are recalculated.

(iv) Changes in Swedish regulations

Amendments have been made in the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559). These amendments were implemented January 1, 2018 but have not had any significant impact on SEK's Financial Statements. In addition, the Swedish Financial Supervisory Authority has amended the accounting regulation FFFS 2008:25 by issuing FFFS 2017:18 and the Swedish Financial Reporting Board has amended the accounting recommendation for groups by issuing "RFR 1 Supplementary Accounting Rules for Groups – January 2018". SEK implemented those amendments on January 1, 2018 but they have not had any significant impact on SEK's Financial Statements.

(v) Offset of derivative assets and derivative liabilities

As of December 31, 2018 derivative assets and derivative liabilities in relation to central clearing counterparties are offset in the Consolidated Statement of Financial Position and the Parent Company Balance sheet. Comparatives are recalculated.

(vi) Transition information

The following tables illustrate the effect of implementing IFRS 9 in the Statement of Financial Position and retained earnings, including the effect of replacing IAS 39's impairment model with an ECL model pursuant to IFRS 9.
The following table summarizes the effect on the classification and measurement of SEK's financial assets and liabilities as of January 1, 2018:

Skr mn

Financial assets	Measurement category under IAS 39	Carrying amount under IAS 39	Reclassificatiion	ECL	Carrying amount under IFRS 9	Measurement category under IFRS 9
Cash and cash equivalents	Loans and accounts receivable	1,231	–	0	1,231	AMC
Treasuries/government bonds[1]	Available-for-sale assets	4,382	4,382	-	4,382	FVTPL
Other interest-bearing securities except loans[1]	Available-for-sale assets	39,694	39,694	-	39,694	FVTPL
	Assets at fair value through profit or loss (FVO)	113	113	-	113	FVTPL
Loans in the form of interest-bearing securities	Loans and accounts receivable	41,125	–	-17	41,108	AMC
Loans to credit institutions	Loans and accounts receivable	23,198	–	-2	23,196	AMC
Loans to the public	Loans and accounts receivable	141,111	–	40	141,151	AMC
Derivatives	Assets at fair value through profit or loss	7,803	–	–	7,803	FVTPL
Total financial assets		**258,657**	**44,189**	**21**	**258,678**	

Financial liabilities	Measurement category under IAS 39	Carrying amount under IAS 39	Reclassificatiion	ECL	Carrying amount under IFRS 9	Measurement category under IFRS 9
Borrowings from credit institutions	Other financial liabilities	2,317	–	–	2,317	AMC
Borrowings from credit institutions	Other financial liabilities	0	–	–	0	AMC
Debt securities issued	Financial liabilities at fair value through profit or loss (FVO)	63,421	–	–	63,421	FVTPL
	Other financial liabilities	159,095	–	–	159,095	AMC
Derivatives	Financial liabilities at fair value through profit or loss	16,480	–	–	16,480	FVTPL
Subordinated liabilities	Other financial liabilities	2,040	–	–	2,040	AMC
Provisions[2]		45	–	3	48	
Total financial liabilities		**243,398**	**–**	**3**	**243,401**	

1 As of January 1, 2018, SEK has made an assessment of the liquidity investments that were previously classified as available-for-sale assets. The conclusion was that these are included in a portfolio where the business model entails measurement at fair value and, accordingly, they are recognized at fair value through profit or loss (FVTPL). Those liquidity investments that were previously classified at fair value pursuant to the fair-value option are also classified at FVTPL due to the portfolio's business model. Certain fixed-rate liquidity investments were already subject to hedge accounting and, from January 1, 2018, these hedge accounting relationships have been terminated since liquidity investments are now measured at FVTPL.
2 Accumulated expected credit losses for off-balance sheet items are reported under provisions in the Statement of Financial Position.

The following table illustrates the effect of IFRS on reserves and retained earnings:

Skr mn	**Reserves and retained earnings**
Reserve for changes in own credit risk	
Closing balance under IAS 39 (December 31, 2017)	-
The impact of transferring value changes due to changes in credit risk to the Reserve for changes in own credit risk	-524
Tax	115
Opening balance under IFRS 9 (January 1, 2018)	**-409**
Fair-value reserve	
Closing balance under IAS 39 (December 31, 2017)	9
Reclassification of instruments from AFS to FVTPL	-12
Tax	3
Opening balance under IFRS 9 (January 1, 2018)	**-**
Retained earnings	
Closing balance under IAS 39 (December 31, 2017)	13,554
The impact of transferring value changes due to changes in credit risk to the Reserve for changes in own credit risk	409
Reclassification of instruments from AFS to FVTPL	9
Effect of IFRS 9 – ECL	18
Tax	-4
Opening balance under IFRS 9 (January 1, 2018)	**13,986**
Total changes in equity on introduction of IFRS 9	**14**

The following table is a reconciliation of the closing balance for accumulated impairments under IAS 39 and the opening balance for accumulated impairments under IFRS 9.

Skr mn	**Impairment reserve under IAS 39 as per 31 December 2017**	**Revaluation**	**ECL IFRS 9 as per 1 January 2018**
Loans and receivables under IAS 39/financial assets at amortized cost under IFRS 9	155	-21	134
Available-for-sale assets under IAS 39/FVTPL pursuant to IFRS 9	–	–	–
Total	**155**	**-21**	**134**
Collateral provided and contingent liabilities	–	3	3
Total	**155**	**-18**	**137**

(d) Basis of consolidation

The Consolidated Financial Statements encompass the Parent Company and all subsidiaries, meaning companies over which the Parent Company has control and that are impacted by the Company's results. The Consolidated Financial Statements have been prepared using the purchase method. The Financial Statements of the subsidiary are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases. The accounting policies of subsidiary are consistent with Group policies. Intra-group transactions and balances, and any unrealized gains and losses arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements. Unless otherwise stated or when it is clear from the context, the information in these notes relates to the Consolidated Group and the Parent Company. Consolidation of SEK pursuant to the supervisory regulations does differ from the consolidation made in the Consolidated Financial Statements for 2018, as SEKETT AB is not a financial company and no consolidation of SEK pursuant to the supervisory regulation was made. Since no subsidiary is an institute pursuant to the CRR definition, no subsidiary is subject to the supervisory regulations on an individual basis. No current or anticipated material restrictions to prompt transfer of own funds or repayment of liabilities among the parent or its subsidiary have been identified.

(e) Segment reporting

Segments are identified based on internal reporting to the CEO who serves as the chief operating decision maker. SEK has one segment, lending, based partly on the Company's assignment from the owner, which is to ensure access to financial solutions for the Swedish export industry on commercial and sustainable terms, and partly on how governance and earnings monitoring of the business are conducted. Accordingly, no segment reporting has been prepared. Disclosures regarding the geographic breakdown and revenue per product group are presented in Note 2.

(f) Recognition of operating income

(i) Net interest income

Interest revenue and interest expense related to all financial assets and liabilities, regardless of classification, are recognized in net interest income. Interest revenue and interest expense are recognized on a gross basis, with the exception of interest revenue and interest expenses related to derivatives, which are reported on a net basis. Interest for derivatives used to hedge borrowing is recognized as interest expense and interest on all derivatives used to hedge assets is recognized as interest revenue, regardless of whether the contracts' net interest is positive or negative. This reflects the real interest expense of borrowing after taking economic hedges into account. Negative interest rates on assets are recognized as interest expense and negative interest rates on liabilities are recognized as interest revenue. Interest income calculated using the effective interest method presented in SEK's Financial Statements applies only to those assets that are subsequently measured at amortized cost and the interest for hedging instruments related to those assets as the effective interest method is a measurement technique whose purpose is to calculate amortized cost and allocate interest revenue over the relevant time period. This interest income and corresponding interest expense are calculated and recognized based on the effective interest rate method or based on a method that results in interest revenue or interest expense that is a reasonable approximation of the result that would be obtained using the effective interest method as the basis for the calculation. The effective interest rate is regarded as an integral part of the effective interest rate of a financial instrument (usually fees received as compensation for risk). The effective interest rate is equivalent to the rate used to discount contractual future cash flows to the carrying amount of the financial asset or liability. The item Other interest income covers interest income of financial assets at fair value through profit or loss and the administrative remuneration for the CIRR-system, as defined below. In addition to interest revenue and interest expense, net interest income, where these are recognized as interest expense, includes the resolution fee (formerly called the stability fund fee) and guarantee commissions that are comparable to interest.

Pursuant to the Company's assignment as stated in its owner instruction issued by the Swedish government, SEK administers credit granting in the Swedish system for officially supported export credits (CIRR-system). SEK receives compensation from the Swedish government in the form of an administration fee, which is calculated based on the principal amount outstanding. SEK has determined that the CIRR-system should be considered an assignment whereby SEK acts as an agent on behalf of the Swedish government, rather than being the principal in individual transactions. Accordingly, interest revenue, interest expense and other costs pertaining to CIRR-system assets and liabilities are not recognized in SEK's Statement of Comprehensive Income. The administrative compensation received by SEK from the Swedish government is recognized as part of interest income in SEK's Statement of Comprehensive Income since the commission received in compensation is equivalent to interest. Any income for SEK that arises from its credit arranger role is recognized in SEK's Statement of Comprehensive Income under net interest income.

All assets and liabilities related to the CIRR-system are respectively included in the Consolidated Statement of Financial Position and in the Parent Company's balance sheet since SEK bears the credit risk for the lending and acts as the counterparty for lending and borrowing. Unrealized revaluation effects on derivatives related to the CIRR-system are recognized net under other assets.

(ii) Net fee and commission expense

Commissions earned and commissions incurred are recognized as net fee and commission expense in SEK's Statement of Comprehensive Income. The gross amounts of commissions earned and commissions incurred are disclosed in the notes to the Financial Statements. The major part of the revenues classified as commission earned constitutes revenue from contracts with customers according to IFRS 15. The recognition of commissions earned depends on the purpose for which the fee is charged. Fees are either recognized as revenue when services are performed or accrued over the period of a specific business transaction. Lending fees that are not part of the effective interest of a financial instrument are recognised at a point of time, such as when the transaction has been performed. Commissions incurred are transaction-based, and are recognized in the period in which the services are received. Guarantee commissions that are comparable to interest and fees that comprise integrated components of financial instruments, and therefore included in the effective interest rate, are not recognized as commissions and are instead included under net interest income.

(iii) Net results of financial transactions

Net results of financial transactions include realized gains and losses related to all financial instruments and unrealized gains and losses on all financial instruments measured at fair value, except for the types of financial instruments for which the change is to be recognized in other comprehensive income. Gains and losses include gains and losses related to currency exchange effects, interest-rate changes, changes in basis-spreads and changes in the credit rating of the counterparty to the financial contract. The item also includes the hedge ineffectiveness, i.e. market value changes attributable to hedged risks and derivatives in fair-value hedges. Realized gains and losses from financial instruments measured at amortized cost, such as interest rate compensation received and realized gains/losses from the repurchase of issued own debt, are recognized as they arise directly under net results of financial transactions.

(g) Foreign currency transactions

Monetary assets and liabilities in foreign currencies have been translated into the functional currency (Swedish krona) at the exchange rates applicable on the last day of each reporting period. Revenues and costs in foreign currencies are translated into Swedish kronor at the exchange rate prevailing on the dates that they arise. Any changes in the exchange rates between the relevant currencies and the Swedish krona relating to the period between the dates that they arise and the date of settlement are recognized as currency exchange effects. Currency exchange effects on the nominal amounts of financial assets and liabilities measured at fair value are recognized as currency exchange effects, although the currency exchange effect on the change in fair value that arises due to other components is not separated. Currency exchange effects are included as a component of net results of financial transactions.

(h) Financial instruments

(i) Recognition and derecognition in the Statement of Financial Position

When recognizing financial instruments, trade date accounting is applied for the recognition and derecognition of securities bought, securities issued and derivatives. Other financial instruments are recognized in the Statement of Financial Position and derecognized from this on the relevant settlement date. The difference between the carrying amount of a financial liability or an asset (or part of a financial liability or an asset) that is extinguished or transferred to another party and the consideration paid is recognized in the Statement of Comprehensive Income under net results of financial transactions. A financial asset or liability is recognized in the Statement of Financial Position only when SEK becomes a party to the contractual provisions of the instrument. A financial asset is derecognized from the Statement of Financial Position when the contractual rights to receive the cash flows from the asset cease or when the asset is transferred and the transfer qualifies for derecognition. A financial liability (or part of a financial liability) is derecognized from the Statement of Financial Position only when it is extinguished, such as when the obligation specified in the contract is discharged, canceled or expires. In the case of renegotiated financial assets, such as lending, the asset is derecognized from the Statement of Financial Position when the terms of the loan are deemed to be substantially different. The terms are deemed to be substantially different when the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, differs by not less than 10 percent from the discounted present value of the remaining cash flows for the original debt instrument. A change of currency or counterparty are deemed substantially different terms. Should the renegotiated loan entail terms that are substantially different, it is recognized as a new loan.

(ii) Measurement on initial recognition

When financial instruments are initially recognized, they are measured at fair value plus, in the case of financial assets or financial liabilities not carried at fair value through profit or loss, any transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability.

(iii) Offsetting

Financial assets and liabilities are offset and presented in the Statement of Financial Position when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Derivative assets and derivatives liabilities in relation to central clearing counterparties are offset in the Consolidated Statement of Financial Position, but cash collateral received or paid is accounted for separately as paid or received cash collaterals. Refer to Note 14 for further information about the offsetting of financial assets and financial liabilities.

(iv) Classification of financial assets and liabilities

Financial assets and liabilities are categorized in two categories for valuation purposes: amortized cost (AMC) and fair value through profit or loss (FVTPL).

Financial assets at amortized cost (AMC). Prior to January 1, 2018, the balance sheet items Cash and cash equivalents, Loans to credit institutions, Loans to the public and Loans in the form of interest-bearing securities were recognized in the loans and receivables category, if the transaction was not listed in an active market and was accordingly measured at amortized cost pursuant to the effective interest rate method.

From January 1, 2018, the balance sheet items Cash and cash equivalents, Loans to credit institutions, Loans to the public and Loans in the form of interest-bearing securities are recognized at amortized cost, provided that the following criteria are met by all assets:

- The financial asset is included in a portfolio where the business model aims to collect contractual cash flows and
- The terms and conditions for the financial asset entail that the cash flows received comprise solely payments of principal and interest (SPPI) on nominal amounts outstanding.

The business model is based on SEK's overriding portfolio objective, and on how the Company manages, monitors and evaluates the financial assets in the portfolio from both a business and a risk perspective.

The business model is established at a level (homogenous portfolio) that reflects how the asset is treated in relation to the objective/business goal.

The following parameters have been evaluated in relation to the liquidity portfolio:

- Internal targets and governance of the liquidity portfolio, and documentation thereof;
- Administration and commercial follow-up;
- Risk management, follow-up and reporting;
- Frequency, objective and volume in terms of noted sales; and
- Remuneration models, and how these are impacted by valuation methods.

IFRS 9 requires that SEK categorize financial assets based on the properties of the contractual cash flows, where the financial asset is held in a business model with the objective of holding assets to collect contractual cash flows (hold to collect).

The assessment of the properties of the contractual cash flows aims to identify if the contractual cash flows comprise solely payments of principal and interest, which is an SPPI test. Contractual cash flows that solely payments of principal and interest qualify as a basic lending arrangement, which is a prerequisite for measuring the instrument at amortized cost. SEK has prepared a tool for the implementation and documentation of evaluations and assessments of financial assets in the lending portfolios, whereby relevant factors are taken into consideration, such as the tenor of the interest rate in relation the interest-rate setting period, interest-rate cap/floor, index-linked coupon/interest, payment trigger, currency mismatch, government interest rates and early repayment.

Financial assets measured at fair value through profit or loss (FVTPL). Prior to January 1, 2018, financial assets were irrevocably categorized to recognition at fair value through profit or loss, and assets held for trading were recognized in the category financial assets measured at fair value through profit or loss. When two or more derivatives hedge both interest-rate and credit exposures in an asset, such transactions were sometimes previously classified irrevocably as a financial asset at fair value through profit or loss (FVO), since making such designations eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognizing the gains or losses on them on different bases. Derivatives are always classified as financial assets or liabilities at fair value through profit or loss, except when they are subject to hedge accounting.

From January 1, 2018, SEK does not use FVO for financial assets, and the financial assets are measured at FVTPL because it is mandatory. Derivatives are always measured at FVTPL. Interest-bearing securities included in SEK's liquidity investments, consisting of the balance-sheet items Treasuries/government bonds and Other interest-bearing securities except loans, are measured at fair value (FVTPL) and, accordingly, they are included in a portfolio, where the business model entails measurement at fair value. Liquidity investments were recognized under IAS 39 in the available-for-sale financial assets category and were measured at fair value with unrealized changes in fair value recognized in other comprehensive income.

Financial assets measured at fair value through profit or loss (FVTPL) are recognized at fair value in the Statement of Financial Position. Changes in fair value are recognized in profit or loss under the item Net results of financial transactions.

Financial liabilities measured at fair value through profit or loss (FVTPL). There are two main subcategories in the category of financial liabilities at fair value through profit or loss: financial liabilities designated upon initial recognition at fair value through profit or loss (FVO) and financial liabilities mandatorily measured at fair value. Securities issued by SEK containing embedded derivatives are in their entirety irrevocably classified as financial liabilities at fair value through profit or loss. Derivatives are always measured at FVTPL. Financial liabilities measured at fair value through profit and loss are recognized at fair value in the Statement of Financial Position. Changes in fair value are recognized in profit or loss under the item Net results of financial transactions with the exception of gains and losses that arise from changes in SEK's own credit risk on liabilities classified in accordance with FVO. Such changes are recognized in the Reserve for changes in own credit risk under Other comprehensive income and are not reclassified to profit or loss.

Financial liabilities at amortized cost (AMC). All debt securities issued by SEK other than those classified as financial liabilities at fair value through profit or loss are measured at amortized cost, using the effective interest rate method. Where one or more derivative is used to hedge currency, interest rate and/or other exposures, fair-value hedge accounting is applied. Subordinated debt is classified as other financial liabilities and is subject to fair-value hedge accounting. When applying fair-value hedge accounting on subordinated debt, hedging is applied to the subordinated debt for the period corresponding to the derivative's time to maturity, when the maturities do not coincide.

For more information regarding the classification of financial assets and liabilities under IAS 39 (applicable prior to January 1, 2018), please see SEK's Annual Report 2017, Note 1 Section (h).

(v) Presentation of certain financial instruments in the Statement of Financial Position

The presentation of financial instruments in the Statement of Financial Position differs in certain respects from the categorization of financial instruments made for valuation purposes. Loans in the form of interest-bearing securities comprise loans granted to customers that are contractually documented in the form of interest-bearing securities, as opposed to bilateral loan agreements, which are classified in the Statement of Financial Position either as loans to credit institutions or loans to the public. All other financial assets that are not classified in the Statement of Financial Position as loans in the form of interest-bearing securities are presented as cash and cash equivalents, treasuries/government bonds, other interest-bearing securities except loans or derivatives.

(vi) Presentation of certain financial instruments

Derivatives. In the ordinary course of its business, SEK uses various types of derivatives for the purpose of hedging or eliminating SEK's interest-rate, currency-exchange-rate or other exposures. Derivatives are always classified as financial assets or liabilities at fair value through profit or loss. Where SEK decides to categorize a financial liability at fair value through profit or loss (FVO), the purpose is always to avoid the mismatch that would otherwise arise from the fact that the changes in the value of the derivative, measured at fair value, would not match the changes in value of the underlying liability, measured at amortized cost.

Guarantees. SEK holds financial guarantees in connection with certain loans. Such guarantees are ordinarily accounted for as guarantees in accordance with SEK's established accounting policy and are therefore not recognized in the Consolidated Statement of Financial Position (except for the deferred costs of related guarantee fees paid in advance for future periods). When SEK classifies a risk-mitigating instrument as a financial guarantee, SEK always owns the specific asset whose risk the financial guarantee mitigates and the potential amount that SEK can receive from the counterparty under the guarantee represents only the actual loss incurred by SEK related to its holding. Premiums on financial guarantees are accrued and recognized as interest expense in net interest income. Credit default swaps are recognized at fair value at fair value through profit or loss.

Embedded derivatives. In the ordinary course of its business, SEK issues financial liabilities that frequently contain embedded derivatives. When financial liabilities contain embedded derivatives, where the financial characteristics and risks of the instrument's unique components are not related, the entire instrument is irrevocably classified as financial liabilities measured at fair value through profit or loss (FVO), and thus does not separate the embedded derivatives.

Leasing assets. In the ordinary course of its business, SEK acquires leases that are classified as finance leases (as opposed to operating leases). When making such a classification, all aspects of the leasing contract, including third-party guarantees, are taken into account. Any lease payment that is received from a lessee is divided into two components for the purposes of measurement: one component constituting a repayment of the loan and the other component recognized as interest income.

Committed undisbursed loans and binding offers. Committed undisbursed loans and binding offers, disclosed under the heading "Commitments" in Note 24 are measured as the undiscounted future cash flows concerning loan disbursements related to loans committed but not yet disbursed at the reporting period end date, as well as binding offers.

Repurchased debt. SEK repurchases its own debt from time to time. Gains or losses that SEK realizes when repurchasing own debt instruments are recognized in the Statement of Comprehensive Income as a component of Net results of financial transactions.

(vii) Hedge accounting

SEK applies hedge accounting in cases where derivatives are used to create economic hedging and the hedge relationship is eligible for hedge accounting, with the exception of lending within the CIRR-system, for which hedge accounting is not applied. The method used for hedge accounting is either fair-value hedge accounting or cash-flow hedge accounting. In order to be able to apply hedge accounting in accordance with IFRS 9, the hedge relationship must meet the hedge effectiveness criteria at the beginning of each hedged period which requires that:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that actually used in the economic hedge.

Fair-value hedge accounting. Fair-value hedge accounting is used for transactions in which one or several derivatives are used to hedge the interest-rate risk that has arisen from a fixed-rate financial asset or liability. When applying fair-value hedging, the hedged item is revalued at fair value with regard to the risk being hedged. SEK defines the risk being hedged in fair-value hedge accounting as the risk of a change in fair value with regard to a chosen reference rate (referred to as interest-rate risk). The hedged item may be a component of the financial asset or liability, i.e. comprises less than the entire fair value change for the financial asset or liability. That could be a component of the nominal amount or the tenor of the item. The hedging instrument may consist of one or several derivatives that exchange fixed interest for floating interest in the same currency (interest-rate derivatives) or one or several instruments that exchange fixed interest in one currency for floating interest in another currency (interest and currency derivatives), in which case the currency risk is a part of the fair value hedge.

Both at inception of the hedge and on an ongoing basis, SEK's hedging relationships are expected to be highly effective in achieving offsetting changes in fair values attributable to the hedged risk. An assessment of effectiveness is performed by comparing critical terms for the hedged item and the hedging transaction. If they are identical, but reversed, the hedge relationship is regarded 100% effective. The hedge ratio is 1:1 other than in specific circumstances where SEK may choose a hedge ratio other than 1:1 in order to improve the effectiveness. Potential sources of ineffectiveness in the hedge relationship are:

- changes in timing of the payment of the hedged item,
- use of an existing derivative with a non-zero fair value,
- changes in timing of the trade date of the derivative and the validation of the hedge relationship,
- the different treatment of currency basis in calculating changes in the fair value of the hedging instrument and hedged item and
- a significant change in the credit risk of either party to the hedge relationship.

The credit risk of the entities is monitored by the Credit Department on an ongoing basis. The risk associated with SEK and the counterparty at the inception of the hedge relationship is considered minimal and does not dominate the value changes that result from the economic relationship. This will be reassessed in cases where there is a significant change in either party's circumstances, for example if the counterparty is in default. In addition, the hedging instruments used by SEK consist of derivatives subject to margining, clearing and cash collateralization, which significantly reduced the credit risk for both parties involved. Therefore, the credit risk is unlikely to dominate the change in fair value of the hedging instrument.

Ineffectiveness is defined as the difference between the fair value change relating to the hedged risk of the hedged item and the fair value change relating to the hedging instrument. Any ineffectiveness is recognised automatically in profit or loss as a result of separately remeasuring the hedged item and the hedging instrument.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the hedge ratio of the hedging relationship must be adjusted (i.e. rebalances the hedge) so that it meets the qualifying criteria again. Hedge accounting is discontinued prospectively only when the hedging relationship (or a part of a hedging relationship) ceases to meet the qualifying criteria (after any rebalancing). This includes instances when the hedging instrument expires or is sold, terminated or exercised.

If a fair-value hedge relationship no longer fulfills the requirements for hedge accounting, that component of the hedged item ceases to be measured at fair value and is measured at amortized cost, and the previously recognized fair-value changes for the hedged item are amortized over the remaining tenor of the previously hedged item.

Cash flow hedges. Cash flow hedge accounting is used for transactions in which one or several derivatives hedge risk for variability in the cash flows from a floating-rate financial asset or liability. When hedging cash flows, the hedged asset or liability is measured at amortized cost and changes in fair value in the hedging instrument are recognized in other comprehensive income. When the hedged cash flow is recognized in profit or loss, the value changes in the hedging instrument in the Statement of Comprehensive Income are reclassified from other comprehensive income to profit or loss. SEK defines the risk hedged in a cash flow hedge as the risk of variability of cash flows with regard to a chosen reference rate (referred to as cash flow risk). The hedging instrument may consist of one or several derivatives that exchange floating interest for fixed interest in the same currency (interest-rate derivatives) or one or several derivatives that exchange floating interest in one currency for fixed interest in another currency (interest and currency derivatives).

If a cash flow hedge relationship no longer fulfills the requirements for hedge accounting, and accumulated gains or losses related to the hedge have been recorded in equity, such gains or losses remain in equity and are amortized through other comprehensive income to net interest income over the remaining tenor of the hedged item.

A description of the differences between IFRS 9 and IAS 39 are found below. For more information regarding the accounting policies for hedge accounting under IAS 39, please see SEK's Annual Report 2017, Note 1 Section (h).

Aggregated exposures. IFRS 9 permits an aggregated exposure that includes a derivative to be an eligible hedged item. This is a change from IAS 39 which explicitly prohibits a derivative from being designated as a hedged item (unless it is a written option designated as an offset to a purchased option).

Hedge effectiveness. The qualifying criteria in the IFRS 9 hedge accounting model significantly differ from those in IAS 39. To qualify for hedge accounting under IAS 39, the hedging instrument must be highly effective at achieving offsetting changes in fair value or cash flows attributable to the hedged risk both prospectively and retrospectively. To be highly effective, the level of offset must be between 80 percent and 125 percent. Entities must perform quantitative effectiveness tests on an ongoing basis to demonstrate that the hedging relationship qualifies for hedge accounting.

The IFRS 9 hedge accounting model employs a more principles-based approach. To qualify for hedge accounting, the hedge relationship must meet the hedge effectiveness criteria at the beginning of each hedged period which requires that:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that actually used in the economic hedge.

Rebalancing and discontinuation of hedge accounting. If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the hedge ratio of the hedging relationship must be adjusted (i.e. rebalance the hedge) so that it meets the qualifying criteria again. Hedge accounting is discontinued prospectively only when the hedging relationship (or a part of a hedging relationship) ceases to meet the qualifying criteria (after any rebalancing). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship). Unlike under IAS 39, hedge accounting may not be voluntarily discontinued if the criteria for discontinuation are not met, in other words, the possibility for voluntarily discontinuing the hedging relationship is removed.

(viii) Principles for determination of fair value of financial instruments

The best evidence of fair value is prices in an active market. Fair-value measurements are categorized using a fair-value hierarchy. The financial instruments carried at fair value in the Statement of Financial Position have been categorized under the three levels of the fair-value hierarchy according to IFRS that reflect the significance of inputs. The categorization of these instruments is based on the lowest level of input that is significant to the fair value measurement in its entirety. SEK uses the following hierarchy for determining and disclosing the fair value of financial instruments, based on valuation techniques:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: valuation models for which all inputs with a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

SEK recognizes transfers between levels of the fair-value hierarchy in the beginning of the reporting period in which the change has occurred.

For all classes of financial instruments (assets and liabilities), fair value is established by using internally established valuation models, externally established valuation models or observable market prices. If the market for a financial instrument is not active, fair value is established by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been at the measurement date in an arm's length exchange based on normal business terms and conditions. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available. Reference to the current fair value of another instrument that is substantially the same can also be used. If the aforementioned are not available, discounted cash flow analysis or option pricing models may be used for assessing the instrument's value. Periodically, the valuation techniques are calibrated and tested for validity using prices from observable current market transactions in the same instruments, or based on any available observable market data, or compared with the counterparty's prices.

In calculating fair value with valuation models, SEK seeks to use liquid, observable market quotes (market data) as far as possible, to best reflect the market's view on prices. These market quotes are used, directly or indirectly, for the calculation of fair value. Examples of the indirect use of market data are:

- the derivation of discount curves from observable market data, which is then interpolated to calculate the non-observable data points; and
- model parameters in quantitative models, which are used to calculate the fair value of a structured product, where the model is calibrated so that available market data can be used to recreate observable market prices on similar instruments.

In some cases, due to low liquidity in the market, there is no access to observable market data. In these cases, SEK follows market practice by basing its valuations on similar observable market data. One example is if there are no observable market prices for a bond it can be valued through a credit curve based on observable prices for instruments with the same credit risk.

For observable market data, SEK uses third-party information based on purchased contracts (such as Reuters and Bloomberg). This type of information can be divided into two groups, with the first group consisting of directly observable prices and the second of market data calculated from the observed prices.

Examples from the first group are — for various currencies and maturities — currency rates, stock prices, share index levels, swap prices, future prices, basis spreads and bond prices. The discount curves that SEK uses, which are a cornerstone of valuation at fair value, are constructed from observable market data.

Examples from the second group are the standard forms of quotes, such as call options in the foreign exchange market quoted through volatility, which is calculated so that the "Black-Scholes model" recreates observable prices. Further examples from this group are — for various currencies and maturities — currency volatility, swap volatility, cap/floor volatilities, stock volatility, dividend schedules for equities and credit derivative spreads. SEK continuously assures the high quality of market data, and a thorough validation of market data is exercised quarterly in connection with the financial reporting.

For transactions that cannot be valued based on observable market data, the use of non-observable market data is necessary. Examples of non-observable market data are discount curves created using observable market data that are then extrapolated to calculate non-observable interest rates, correlations between different underlying market parameters and volatilities at long maturities. Correlations that are non-observable market data are calculated from time-series of observable market data. When extrapolated market data such as interest rates are used they are calculated by setting the last observable node as a constant for longer maturities. Non-observable market data, such as SEK's own credit rating, are assessed based on recently completed emissions by SEK, or if no continuous flow of new transactions exist, spreads against other issuers, in those cases in which observable prices in the secondary market are unavailable.

The valuation models applied by SEK comply with accepted methods for pricing financial instruments. Fair value adjustments are applied by SEK when there are additional factors that market participants take into account and that are not captured by the valuation model. The independent risk function assesses the level of fair-value adjustments to reflect counterparty risk, SEK's own credit rating and other non-observable parameters, where relevant.

Significant models for the valuation of financial instruments must receive approval from the Board's Finance and Risk Committee. Other models are approved by the CFO. New models for valuation are reported to the Board's Finance and Risk Committee annually, together with the applicable validation. The use of a valuation model demands a validation and thereafter an approval. Validation is conducted by the independent risk function. Analysis of significant non-observable market data, fair-value adjustments and significant changes in fair values of level 3-instruments are reviewed on quarterly basis by plausibility checks. The valuation result is analyzed and approved by persons responsible for valuation and accounting, and discussed with the Audit Committee quarterly in connection with SEK's interim reports.

(ix) Determination of fair value of certain types of financial instruments

Derivatives. Derivatives are recognized at fair value, and fair value is calculated based on internally established valuation models, external valuation models, prices furnished by external parties or market prices. When calculating fair value for derivative instruments, the impact on the fair value of the instrument related to credit risk (own or counterparty) is based on publicly quoted prices on credit default swaps of the counterparty or SEK, if such prices are available.

Issued debt instruments. When calculating the fair value of issued debt instruments, the effect on the fair value of SEK's own credit risk is assessed based on internally established models founded on observations from different markets. The models used include both observable and non-observable parameters for valuation.

Issued debt instruments that are compound financial instruments with embedded derivatives. SEK issues debt instruments in many financial markets. A large portion of these are compound financial instruments with embedded derivatives. SEK's policy is to hedge the risks in these instruments using derivatives in order to obtain effective financial hedges. The entire compound financial instruments are irrevocably classified as financial liabilities measured at fair value through profit or loss, and accordingly derivatives are not separated. As there are no quoted market prices for these instruments, valuation models are used to calculate fair value. The method applied for calculating gains and losses that arise from changes in SEK's own credit risk (OCA) is based on the change in the credit risk for the financial liability from initial recognition. In practice, this means that OCA incorporates market movements not related to changes in benchmark rates or the embedded derivatives.

(x) Impairment of financial assets

With IFRS 9, the principle applied for the impairment of exposures has changed from an approach based on incurred credit loss events under IAS 39 to an approach based on expected credit losses (ECL). IFRS 9 requires that all assets measured at amortized cost, including credit commitments and financial guarantees, are to be tested for any impairment, which differs from IAS 39, where collective provisions are not made for off-balance-sheet items or available-for-sale financial assets.

The model for calculating ECL is based on an exposure being at one of three different stages. Initially, all exposures where at stage 1. Stage 1 also includes exposures where the credit risk is no longer significantly higher and which have therefore been reclassified from stage 2. In stage 1, the ECL calculation should correspond to provisions based on expected credit losses for the forthcoming 12-month period (12mECL). Where the credit risk has increased significantly since initial recognition, the exposure is moved to stage 2. Stage 2 also includes exposures where the counterparty/exposure is no longer in default and which have therefore been reclassified from stage 3, as well as a smaller portion of exposures that lack an initial rating and where the rating is below BBB. In stage 2, the provision is based on expected credit losses over the remaining lending period of the asset (LTECL). If the exposure moves into default, it is moved to stage 3, where the ECL calculation continues to be based on LTECL. 12mECL comprises the part of LTECL that arises from expected credit losses based on the probability of default (PD) within 12 months of the reporting date. Both LTECL and 12mECL are calculated on an individual basis.

SEK has chosen to use credit rating models for all exposures, in other words, to calculate expected credit losses (ECL) by using the probability of default (PD), loss given default (LGD) and exposure at default (EAD).

Significant increase in credit risk. A significant increase in credit risk is a relative assessment, whereby the credit quality at the reporting date is compared with the initial credit quality when the exposure was recognized. The starting point when assessing what should be included as criteria for the assessment of credit risk is the existing process for following up credit risk and credit risk management within SEK. All counterparties are given a risk rating, which means that risk classification forms the basis for follow-up should a significant increase in credit risk have occurred. Moreover, other indicators currently in use to follow up credit risk in exposures and of counterparties, include the number of days past due, forbearance measures and other risk raising factors, such as deviations from covenants. These indicators are applied to assess credit risk and whether a significant increase in credit risk has occurred.

- *Risk classification*. A significant increase in credit risk is defined based on a deterioration by a number of steps in the initial rating and where a separation is made between exposures with an initial rating of AAA to A - and others.
- *Number of days past due*. SEK applies the presumption specifically stated in IFRS 9 and applies a more than 30-days-past-due criterion for receivables when assessing a significant increase in credit risk. All exposures that are more than 30-days-past-due will therefore be included in stage 2 and the LTECL will be calculated for these exposures. To ensure that there is no longer a significant increase in credit risk, a waiting period is applied following the resumption of payments and all past-due receivables being extinguished for the exposure. Appropriate waiting periods are assessed on an ongoing basis to, at any given time, ensure that a reasonable waiting period is set given SEK's exposures and payment structures.

- *Forbearance measures.* Exposures encompassed by forbearance measures have a raised credit risk assessment and, therefore, will also be assessed as having a significant increase in credit risk on application of IFRS 9. Similar to the days-past-due criterion, a waiting period will be applied to ensure the exposure no longer has a raised credit risk at the time it is returned to stage 1. Appropriate waiting periods are assessed on an ongoing basis to, at any given time, ensure that a reasonable waiting period is set given SEK's exposures and the reasons the exposure was marked for forbearance.
- *Other risk raising factors.* Other factors can exist that indicate an exposure or a counterparty has an increased credit risk, which are not captured by a change in the risk classification, days-past-due or forbearance measures. Examples of these include recurring waivers that impact credit risk, sector trends and extraordinary changes in the management and/or Board of Directors. To capture these risk-raising factors, the management can conduct a specific qualitative assessment of the significant increase in credit risk at a counterparty. Since this assessment comprises a qualitative expert assessment, the waiting period for any transfer to stage 1 will be taken into consideration in the assessment and no extra waiting period will be applied.

*Default.*If the exposure moves into default, it is moved to stage 3, where the ECL calculation continues to be based on LTECL. Default is a key concept to the calculation of ECL, since ongoing assessments are made of how likely an exposure is to enter default and of the amount SEK is expected to lose on the exposure should it default.

In the financial reporting when applying IFRS 9, default is defined as:

- SEK assesses that it is unlikely that the counterparty will meet its loan commitments in full, irrespective of whether collateral or guarantees are used, and independent of any overdue amount or the number of calendar days since they fell due for payment. This also includes special reasons, such as the risk counterparty's financial position or equivalent is such that it finds itself in a position which — from a creditor's perspective — does not correspond to any form of composition or insolvency procedure. This is termed "unlikely to pay."
- The risk counterparty is more than 90 calendar days past due with the payment of a receivable.

If any exposure to a counterparty is deemed in default, all exposures to that counterparty are deemed in default. When an exposure or a counterparty that was previously classified as being in default no longer meets this definition, the exposure or counterparty should no longer be deemed in default. To ensure that default status no longer applies, a waiting period is applied after the moment the exposure or counterparty is no longer deemed to be in default and can accordingly return to stage 2.

Calculation of expected credit losses (ECL). The ECL is based on SEK's objective expectation of how much it will lose on the exposure given its knowledge on the reporting date and after taking into consideration what could occur in the future. The ECL is a probability-weighted amount that is determined by evaluating the outcome of several possible stages, and where the data taken into consideration comprises both information from previous conditions, the current conditions and forecasts of future economic conditions. The expected credit loss should be calculated on the gross counterparty, in other words the borrower, which means that the PD, as defined below, for the borrower is used in the model.

Moreover, the LGD should incorporate actual future expectations, in other words, all cash flows including guarantees. The calculation of ECL is Point-in-Time and the included parameters PD, LGD and EAD are all Point-in-Time and should not be confused with the corresponding parameters for capital adequacy.

Probability of default (PD). PD is the likelihood that a counterparty defaults on one or more exposures on a one-year horizon (for stage 1) or for the entire lending period (for stages 2 and 3). When calculating expected credit losses under IFRS 9, PD represents the probability of default at a specific point-in-time in an economic cycle (Point-in-Time PD). The two most important data sources for PD models are Standard & Poor's and the World Bank's database, where we obtain default statistics and transition matrices as well as macroeconomic series and GDP growth forecasts. SEK has chosen to create a PD segmentation at both geographic and industry levels.

SEK's method entails three scenarios being prepared for each PD curve: a base scenario; a downturn scenario; and an upturn scenario.

The three scenarios are defined by a weight allocated to each scenario; the weights should add up to 1, in other words 100%. The World Bank's forecast forms the base scenario. The other scenarios are prepared quarterly by a cross-functional group at SEK, and are then adopted by the Board's Credit Committee. By allocating a weight to each PD curve, we define our expectations of future macroeconomic trends.

Loss Given Default (LGD). LGD is the amount expressed as a percentage of the credit exposure that on default, SEK expects to lose from the defaulting counterparty. The same segments are used for preparing the LGD as are used for the PD, with the addition of the division into large corporates and small and medium-sized enterprises for non-financial companies. Due to the low historic rate of default in SEK's lending, the LGD is modeled by using default data from Global Credit Data (GCD), with the exception of the Sovereign segment, where LGD is prepared based on a qualitative assessment.

When estimating expected losses in cash flows, collateral and other credit enhancements included in the terms and conditions are taken into consideration, subject to the prerequisite that they are not reported separately by the Company. The LGD used for estimating ECL should take into consideration all cash flows that could be collected in the case of a default. These also include the cash flows that SEK can expect from collateral and guarantees included in the terms and conditions. Accordingly, the LGD takes into consideration guarantees where the exposure guaranteed with a guarantee included in the terms and conditions unless an increased correlation between the borrower and the guarantee counterparty is deemed to exist.

Exposure at default (EAD). The impairment requirement under IFRS 9 applies for all financial assets measured at amortized cost. Moreover, this encompasses accepted undisbursed binding offers and financial guarantees issued, which are recognized off balance sheet until used. In the above regard, an assessment is to be made of the scope of the default by the borrower on default, since only that amount should be included in the ECL estimate. These are generally termed credit conversion factors (CCF).

The ECL estimate is performed based on the appearance of the exposure at default, which means that the repayment structure and any expectations in terms of early repayment or extension clauses in the agreement need to be considered when assessing the EAD. Based on the completed analyses, contractual maturities are assessed given the repayment structures as being a good approximation of the expected maturities on which the ECL is to be estimated. No specific pattern exists regarding early repayment, which could possibly comprise the basis for another approach.

For existing facilities (accepted, undisbursed), two different credit conversion factors (CCFs) exist depending on when default occurs: (1) for default within one year, calculated using default data from GCD (2) for default after one year, calculated using internal default data. For binding offers regarding existing facilities, CCFs are based on historic internal data regarding the proportion of binding offers that are used. CCFs are used together with the preliminary repayment plan for both the utilized and unutilized portions of existing facilities to model the future exposure on default.

Impairment of an asset's carrying amount is made to a reserve account which, in the Consolidated Statement of Financial Position, reduces the line item to which it relates.

Charge-offs are recorded when a loss has been confirmed, that is that it is evident that it is highly unlikely that any remaining part of SEK's claim on a counterparty will be reimbursed within the foreseeable future and when there exists no guarantee or collateral covering the claim. Charge-offs may also be made once bankruptcy proceedings have been concluded and a final loss can be established, taking into account the value of any assets held by the bankruptcy estate and SEK's share of these assets.

Recoveries are recorded only if there is virtual certainty of collection, such as in the aftermath of a bankruptcy proceeding when the payment due to SEK has been finally determined.

Impairment testing of financial assets under IAS 39 (prior to January 1, 2018). SEK impairment tested loans and other financial assets as described below. Loans and other financial assets were identified as impaired if there was objective evidence of impairment and an impairment test indicates a loss.

Provisions for incurred impairment losses, mainly in the category loans and receivables, were recorded if and when SEK determines it was probable that the counterparty to a loan or another financial asset held by SEK, along with existing guarantees and collateral, would fail to cover SEK's full claim. Such determinations were made for each individual loan or other financial asset. Objective evidence consists of the issuer or debtor suffering significant financial difficulties, outstanding or delayed payments or other observable facts which suggest a measurable decrease in expected future cash flows. If there was objective evidence that an impairment loss on a loan or other receivable had been incurred, the amount of the impairment was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted to the relevant period end at the financial asset's original effective interest rate. The impairment was recognized in profit or loss.

After an individual determination, and if no objective evidence existed for impairment of an individually assessed financial asset, regardless of whether it is material or not, the Company included the asset in a group of financial assets with similar credit risk characteristics and determined, collectively, the need for the impairment of such assets based on quantitative and qualitative analyses. The need for impairment was related to loan losses in the portfolio that have occurred as of the period-end date but which had not yet been identified as individual loan losses.

When a loan was classified as impaired, was past due or was otherwise non-performing, the interest was accounted for in the same manner as the impairment of the principal amount. Accordingly, the interest related to any portion of a loan that was expected to be repaid in the future was recorded in earnings, discounted at the original effective interest rate, while the interest related to any portion of a loan that was not expected to be collected was not recorded in earnings.

Restructured loan receivables pertain to loan receivables where SEK has granted concessions to the borrower as a result of the borrower's deteriorated financial position. Following a restructure, normally, the loan receivable is no longer considered doubtful if the obligation is being met in compliance with the new terms and conditions. Concessions granted in connection with loan restructuring are regarded as credit losses.

If and when a decline in the fair value of an available-for-sale financial asset had been recognized in other comprehensive income and there was objective evidence that the asset was impaired, the cumulative loss that has been recognized was removed from other comprehensive income and recognized in profit or loss, even though the financial asset had not been derecognized in the Statement of Financial Position.

(i) Tangible assets

Items of tangible assets are measured at cost, less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Tangible assets are depreciated using the straight-line method over their estimated useful lives. Average useful lives, depreciation methods and residual values are evaluated and tested annually. No depreciation is carried out from the time that an asset is classified as an asset held-for-sale.

(j) Intangible assets

Intangible assets comprise mainly the capitalized portion of investments in IT systems. Expenses that are directly attributable to large investments in the development of IT systems are recognized as intangible assets if they are expected to generate future economic benefits. The capitalized portion of investments in IT systems includes expenses related to the intangible asset, such as consulting fees and expenses for Group personnel who have contributed to producing the intangible asset. Each intangible asset is amortized using the straight-line method over an estimated useful life from the date the asset is available for use. Average useful lives are evaluated and reconsidered on a yearly basis. An annual impairment test is performed on intangible assets not yet used.

(k) Employee benefits

SEK sponsors both defined-benefit and defined-contribution pension plans.

(i) Defined-contribution plans

A defined-contribution pension means that the size of the premium is predetermined, such as is the case with the BTP1 and BTPK plans. A defined-contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate legal entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined-contribution pension plans are recognized as an employee benefit expense in profit or loss at the rate at which they are accrued by employees providing services to the entity during a period. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Defined-benefit plans

Defined-benefit pension plans means that the pension benefit is predetermined, such as is the case with the BTP2 plan. Defined-benefit plans are post-employment benefit plans other than defined-contribution plans. The present value of the net obligation for defined-benefit plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. The net obligation is recognized in the balance sheet at its present value less the fair value of any plan assets.

The cost for defined-benefit plans is allocated over the employee's service period. The calculation is performed annually by independent actuaries. The obligations are valued at the present value of the expected future disbursements, taking into consideration assumptions such as expected future pay increases, rate of inflation and mortality rates. The discount rate used is the equivalent of the interest rate on the reporting date for Swedish mortgage bonds, with a remaining term approximating that of the actual commitments. Changes in actuarial assumptions and experience-based adjustments to obligations may result in actuarial gains or losses. These actuarial gains and losses are reported together with the difference between the actual and expected return on pension assets in other comprehensive income as incurred. Service cost, gains/losses from changes in plans, and the interest net of pension assets and liabilities are recognized in profit or loss. The companies of the Group participate in various collective pension plans covering all employees.

Sufficient information is available to allow the calculation of SEK's proportionate share in the defined-benefit liabilities, assets and the costs for these plans. The future costs of the plans may change accordingly if the underlying assumptions of the plans change.

(l) Equity

Equity in the Consolidated Group consists of the following items: share capital; reserves; retained earnings; and net profit for the year. Reserves consist of the following items: the reserve for fair-value changes in respect of available-for-sale assets (fair-value reserve, applicable prior to January 1, 2018); the reserve for fair-value changes in respect of derivatives in cash-flow hedges (hedge reserve); the reserve for fair-value changes with respect to changes in SEK's credit risk (own credit risk reserve, applicable after January 1, 2018) and the reserve for remeasurement in respect of defined-benefit pension plans (reserve for defined-benefit pension plans).

(m) Taxes

Income tax on the profit or loss for the year comprises current and deferred taxes. Current tax is tax expected to be payable on taxable income for the fiscal year. Deferred tax includes deferred tax in the untaxed reserves of the individual Group companies and deferred taxes on other temporary fiscal differences. Deferred tax is calculated with an expected tax rate of 22.0 percent (2017: 22.0 percent). Deferred tax is calculated on all taxable temporary differences, regardless of whether a given temporary difference is recognized in profit or loss, or through other comprehensive income. A temporary difference is the difference between the recognized and fiscal values of an asset or a liability.

(n) Earnings per share

Earnings per share are calculated as net profit divided by the average number of shares. There is no dilution of shares.

(o) Statement of Cash flows

The Statement of Cash flows shows inflows and outflows of cash and cash equivalents during the year. SEK's Statement of Cash flows has been prepared in accordance with the indirect method, whereby operating profit is adjusted for effects of non-cash transactions such as depreciation and credit losses. The cash flows are classified under operating, investing and financing activities. Cash and cash equivalents include cash at banks where amounts can be immediately converted into cash and short-term deposits where the time to maturity does not exceed three months from the acquisition date.

(p) Critical accounting policies, assumptions and estimates

When adopting and applying the Group's accounting policies, in certain cases, the management makes judgments and estimates that have a significant effect on the amounts recognized in the Financial Statements. These estimates are based on past experience and assumptions that the Company believes are fair and reasonable. These estimates and the judgments behind them affect the reported amounts of assets, liabilities, income and expenses as well as disclosures. Actual outcomes can later differ from the estimates and the assumptions made.

SEK assesses that the judgments made related to the following critical accounting policies are the most significant:

- Functional currency of the Parent Company; and
- That SEK should be regarded as an agent with respect to the CIRR-system.

Furthermore, SEK has identified the following key sources of estimation uncertainty when applying IFRS:

- Fair value assessments of certain financial instruments; and
- Provisions for probable (under IAS 39) and expected (under IFRS 9) credit losses .

(i) Functional currency of the Parent Company

SEK has established that the Swedish krona (Skr) is its functional currency under IFRS. Large portions of its assets, liabilities and related derivatives are denominated in foreign currencies. Under IFRS, both assets and liabilities are translated at closing exchange rates and the differences between historical book values and current values are recognized as currency exchange effects in the Statement of Comprehensive Income. These differences largely offset each other, causing the net result not to be of a material amount in relation to total assets and liabilities in foreign currency. This reflects the economic substance of SEK's policy of holding assets financed by liabilities denominated in, or hedged into, the same currency. See Note 27 for information on SEK's positions in foreign currency.

(ii) That SEK should be regarded as an agent with respect to the CIRR-system.

SEK has determined that the CIRR-system should be considered to be an assignment whereby SEK acts as an agent on behalf of the Swedish government rather than being the principal in the individual transactions. This assessment has been made based on a number of factors, such as: (i) although it does in form, SEK does not in substance bear the risks and benefits associated with ownership; (ii) SEK does not have discretion in establishing prices; and (iii) SEK receives compensation in the form of a fixed commission. SEK has consequently presented the economic activities of the CIRR-system on a net basis in profit or loss, rather than the gross amounts collected, in accordance with the owner instruction from the State. If SEK were regarded as a principal with respect to the CIRR-system, all revenues and expenses in the CIRR- system would be regarded as revenues and expenses of SEK. However, the net effect on SEK's operating profit would be unchanged. For information on the CIRR-system, refer to Note 25.

(iii) Fair value assessments of certain financial instruments

SEK recognizes a large part of the balance sheet at fair value, primarily interest-bearing securities recognized on the lines Treasuries/Government bonds and Other interest-bearing securities except loans, derivatives and issued debt. When financial instruments are recognized at fair value, these amounts are calculated on the basis of market prices, valuation models, valuations conducted by external parties and discounted cash flows. SEK's financial instruments are predominantly not subject to public trading and quoted market prices are not available. When recognizing the amounts for assets, liabilities and derivatives, as well as income and expenses, it is necessary to make assumptions and assessments regarding the fair value of financial instruments and derivatives, particularly if they comprise unquoted or illiquid securities or other instruments of debt. Should the conditions underlying these assumptions and assessments change, the recognized amounts would also change. Refer to Note 27 for further information about the impact on the value of financial assets and liabilities of a one percentage point movement in the market interest rate. Other valuation models or assumptions could produce different valuation results. SEK makes judgments regarding what the most appropriate valuation techniques are for the different financial instruments based on their categories. In all cases, the decision is based on a professional assessment pursuant to SEK's accounting and valuation policies. The use of a valuation model demands a validation and thereafter an approval, in addition to approval of all models at least annually. The valuation models applied by SEK comply with accepted methods for pricing financial instruments. Fair-value adjustments are applied when there are additional factors that market participants take into account and that are not captured by the valuation model. A CVA (Credit Value Adjustment) and DVA (Debt Value Adjustment) are made to reflect the counterparty's credit risk and SEK's own credit rating, which affects the fair value of the derivatives (see Note 13, for fair value changes related to credit risk.)

When financial assets or liabilities are recognized at fair value, the instruments are recognized at their full fair value, including any credit spreads. When quoted market prices are not available for such instruments, certain assumptions must be made about the credit spread of either the counterparty or one's own credit spread, depending on whether the instrument is an asset or a liability.

Developments in the financial markets have to some extent affected the prices at which SEK's debt is issued. These changes, which are different in different markets, have been included in the calculation of fair value for these liabilities. SEK issues debt instruments in many financial markets. A large portion of these are compound financial instruments with embedded derivatives. SEK's policy is to hedge the risks in these instruments using derivatives with corresponding structures in order to obtain effective economic hedges. Such compound financial instruments are classified as financial liabilities measured at fair value. As there mostly are no market quotes for this group of transactions, valuation models are used to calculate fair value. The gross value of these instruments and derivatives, which effectively hedge each other, requires complex judgments regarding the most appropriate valuation technique, assumptions and estimates. If other valuation models or assumptions are used, or if assumptions are changed, this could produce other valuation results. Excluding the impact on the valuation of credit spreads on SEK's own debt and basis spreads, such changes in fair value would generally offset each other.

SEK uses derivative instruments to mitigate and reduce risks attributable to financial assets and liabilities. In order to mitigate counterparty risk, i.e. the form of credit risk generated from derivative transactions, SEK enters into such transactions only with counterparties with good credit ratings. Moreover, SEK endeavors to enter into ISDA Master Agreements with Credit Support Annexes (CSAs) with its counterparties. This means that the highest allowed risk level is established in advance, regardless of what changes in market value may occur.

Derivatives are measured at fair value with reference to listed market prices where available. If market prices are not available, valuation models are used instead. SEK uses a model to adjust the fair value of the net exposure for changes in SEK's or the counterparty's credit quality. The models use directly observable market parameters if such are available.

As of December 31, 2018, financial assets and liabilities for which valuation models had been used, and where market inputs with a significant effect on the recoded fair value are observable (level 2) amounted to Skr 64 billion (2017: Skr 46 billion) and Skr 32 billion (2017: Skr 34 billion) 22 percent and (2017: 18 percent) 12 percent (2017: 14 percent) of total financial assets and total financial liabilities respectively). Financial assets and liabilities for which valuation included significant non-observable parameters (level 3) amounted to Skr 2 billion (2017: Skr 2 billion) and Skr 54 billion (2017: Skr 46 billion) 1 percent and (2017: 1 percent) 19 percent (2017: 19 percent) of total financial assets and total financial liabilities respectively). The assessment of non-observable parameters included in models for assessing market value are associated with subjectivity and uncertainty, which can impact the results recognized for specific positions. Despite SEK using appropriate valuation models which are consistent with those used in the market, other models and assumptions for determining the fair value of financial instruments could result in other fair value estimates on the reporting date. At December 31, 2018, the total minimum and maximum effects of changing one or more non-observable parameters to reflect the assumptions under other reasonable circumstances for level 3-instruments amounted to Skr -243 million (2017: Skr -211 million) and Skr 242 million (2017: Skr 214 million) respectively. Refer to Note 13 for information regarding value changes for assets and liabilities if non-observable market parameters are changed and section (h) (viii) above for the Principles for determination of fair value of financial instruments.

(iv) Provisions for probable (under IAS 39) and expected (under IFRS 9) credit losses

Provisions for expected credit losses (under IFRS 9). Provisions are estimated using quantitative models, which incorporate inputs, assumptions and methodologies that involve a high degree of management judgement. In particular, the following can have a significant impact on the level of impairment provisions: determination of a significant increase in credit risk, incorporation of forward-looking macroeconomic scenarios and measurement of both 12-month and lifetime expected credit losses. A significant increase in credit risk is defined by SEK based on a deterioration by a number of steps from the initial rating. On December 31, 2018 if the definition of significant increase in credit risk had been one less step of deterioration the impairments would have been Skr 29 million higher, and if the definition had been one more step of deterioration the impairments would have been Skr 1 million lower. SEK's method of calculating probability of default entails three scenarios being prepared for each PD curve. The three scenarios are defined by a weight allocated to each scenario. On December 31, 2018 if the probability of a downturn scenario, or respectively an upturn scenario,would have been weighted with 100% probability the impairments would have been Skr 10 million higher or lower, respectively. On December 31, 2018, SEK's total lending amounted to Skr 209 billion and the related impairment reserve amounted to Skr 137 million. If, for example, the actual amount of total future cash flow were to have been 10 percent higher or lower than the estimate, this would have affected operating profit for the fiscal year ended December 31, 2018 by an additional approximately Skr 14 million and equity at the same date by approximately Skr 11 million. A higher total future cash flow would affect operating profit and equity positively, while a lower total future cash flow would affect operating profit and equity negatively.

Provisions for probable credit losses (under IAS 39). Provisions for probable credit losses were recorded if and when SEK determined that it was probable that the obligation under a loan agreement or another asset from the counterparty and/or guarantees held and/or through calling up other collateral held, would fail to cover SEK's full claim. A change in the underlying assumptions for these internal models, could result in a material change in provisions for probable credit losses.

Impairment was recognized as the difference between the carrying value of a loan and the discounted value of SEK's best estimate of future cash flows. This estimate took into account a number of factors related to the borrower. The actual amounts of future cash flows and the dates they are received may differ from these estimates and consequently actual losses incurred may differ from those previously recognized. On December 31, 2017, SEK's total lending amounted to Skr 195 billion and the related impairment reserve amounted to Skr 155 million, of which the individual reserve accounted for Skr 65 million. If, for example, the actual amount of total future cash flow were to be 10 percent higher or lower than the estimate, this would affect operating profit for the fiscal year ended December 31, 2017 by an additional approximately Skr 15 million and equity at the same date by approximately Skr 12 million. A higher total future cash flow would affect operating profit and equity positively, while a lower total future cash flow would affect operating profit and equity negatively. See Note 9 and Section h (x) above for additional information.

(q) Parent Company

The financial Statements for the Parent Company, AB Svensk Exportkredit (publ), have been prepared in accordance with Swedish legislation, the requirements of the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559) (ÅRKL), and Recommendation RFR 2, Accounting for Legal Entities, issued by the Swedish Financial Reporting Board (RFR), as well as the accounting regulations of the Swedish FSA (FFFS 2008:25). This means that IFRS standards have been applied to the extent permitted within the framework of ÅRKL and the accounting regulations of the Swedish FSA. The accounting policies of the Parent Company are essentially unchanged, apart from the changes presented with respect to the Group. The differences in accounting policies between the Parent Company and the Consolidated Group are as follows:

(i) Income Statement

In accordance with ÅRKL requirements, the Parent Company presents an income Statement and a separate Statement of comprehensive income. Gains and losses that arise from changes in SEK's own credit risk on liabilities designated at fair value are recognized in the income Statement of the Parent Company under net results of financial transactions in net profit, compared to other comprehensive income for the Group. Expected credit losses of interest-bearing securities measured at amortized cost are recognized separately under impairment of fixed financial assets.

(ii) Shares in subsidiaries

The Parent Company's investments in subsidiaries are recognized at cost and dividends received are recognized in profit or loss.

(iii) Tax on profit for the year

In accordance with Swedish tax law, the Parent Company maintains certain untaxed reserves. Untaxed reserves are disclosed in the balance sheet of the Parent Company and changes in untaxed reserves are recognized in profit or loss.

(iv) Group contributions

Parent Company contributions to subsidiaries are recognized, taking into account their tax effect, as investments in shares in subsidiaries, unless impaired.

(v) Equity

Equity in the Parent Company consists of the following items: share capital; legal reserve; development expenditure reserve; revaluation reserve; retained earnings; and net profit for the year. The revaluation reserve consists of the following items: fair-value reserve (value changes on available-for-sale assets, applicable prior to January 1, 2018) and hedge reserve (value changes on derivatives in cash flow hedges).

(vi) Pension liability

The Parent Company applies a different basis for calculating defined-benefit pension plans compared with what is stated in IAS 19. In the Parent Company, the BTP plan is accounted for as a defined-contribution plan and the Parent Company complies with the regulations of the Swedish Pension Obligations Vesting Act and the Swedish FSA. Except for the BTP plan being accounted for as a defined-contribution plan, the primary differences as compared to IAS 19 include how the discount rate is set, the calculation of defined-benefit obligations based on current salary levels without consideration of future salary increases and the fact that all actuarial gains and losses are included in earnings as they occur.

(r) New standards and amendments to standards and interpretations not yet adopted and considered relevant to SEK

(i) IFRS 16 Leasing

In 2016, the IASB issued the new accounting standard IFRS 16 Leases, with changes for lessees. All leases (with the exception of short-term and low-value leases) are to be recognized as right-of-use assets subject to depreciation with corresponding liabilities in the lessee's balance sheet, and the lease payments recognized as repayments and interest expenses. Lessor accounting remains essentially unchanged. Additional disclosures are also required. SEK's assessment is that the standard will primarily affect SEK's recognition of operational leases for rental premises, as the lease definition and lease criteria will not result in other agreements being regarded as leases. SEK has also decided to apply the exceptions for short-term and low-value leases. Right-of-use assets, leasing liabilities, depreciations and interest expenses are not expected to have any material impact on SEK's Financial Statements or capital adequacy or large exposure ratios. The standard became applicable January 1, 2019. SEK will apply the simplified approach during the transition to IFRS 16.

There are no other IFRS or IFRS IC interpretations that are not yet applicable that are expected to have a material impact on SEK's Financial Statements, capital adequacy or large exposure ratios.

Note 2. Net interest income

Skr mn	2018	2017
Interest income		
Loans to credit institutions	1,475	789
Loans to the public	2,534	2,265
Loans in the form of interest-bearing securities	672	629
Interest-bearing securities excluding loans in the form of interest-bearing securities	523	458
Derivatives	-210	-372
Administrative remuneration CIRR-system[1]	157	125
Other assets	2	2
Total interest income	**5,153**	**3,896**
Interest expenses		
Interest expenses excl. resolution fee	-3,445	-2,020
Resolution fee	-266	-193
Total interest expenses	**-3,711**	**-2,213**
Net interest income	**1,442**	**1,683**

Skr mn	2018	2017
Interest income were related to:		
Available-for-sale financial assets[2]	-	426
Financial assets at fair value through profit or loss	574	253
Derivatives used for hedge accounting	-261	-253
Financial assets at amortized cost[3]	4,840	3,470
Total interest income	**5,153**	**3,896**
Interest expenses were related to:		
Available-for-sale financial assets[2]	-	-93
Financial liabilities at fair value through profit or loss	704	278
Financial assets measured at fair value through profit or loss - negative interest on income	-104	-
Financial assets measured at amortized cost – negative interest income	-27	-37
Derivatives used for hedge accounting	106	1,479
Financial liabilities at amortized cost[4]	-4,390	-3,840
Total interest expenses	**-3,711**	**-2,213**
Net interest income	**1,442**	**1,683**

Interest income geographical areas

Skr mn	2018	2017
Sweden	2,458	1,724
Europe except Sweden	932	723
Countries outside of Europe	1,763	1,449
Total interest income[2]	**5,153**	**3,896**

Interest income per product group

Skr mn	2018	2017
Lending to Swedish exporters	1,709	1,398
Lending to exporters' customers[5]	1,452	1,251
Liquidity	1,992	1,247
Total interest income[2]	**5,153**	**3,896**

1 Including administrative remuneration for concessionary loans by Skr 2 million (2017:Skr 2 million).
2 From January 1, 2018, SEK applies IFRS 9 Financial Instruments, which replaces IAS 39 Financial Instruments. The category Available-for-sale was applied until 2017. These assets, liquidity investments, are from 2018 classified at fair value through profit or loss (FVTPL).
3 In conjunction with the transition to IFRS 9 the name on the category changed from Loans and receivables.
4 In conjunction with the transition to IFRS 9 the name on the category changed from Other financial liabilities.
5 In interest income for Lending to exporters' customers, Skr 155 million (2017: Skr 123 million) represent remuneration from the CIRR-system (see Note 25).

Note 3. Net fee and commissions expense

Skr mn	2018	2017
Fee and commissions earned were related to[1]:		
Lending	5	3
Total	**5**	**3**
Commissions incurred were related to[1]:		
Depot and bank fees	-7	-6
Brokerage	-4	-4
Other commissions incurred	-26	-21
Total	**-37**	**-31**
Net fee and commissions expense	**-32**	**-28**

1 Skr -28 million (2017: Skr -24 million) includes financial assets and liabilities not measured at fair value through profit or loss.

Note 4. Net results of financial transactions

	Consolidated Group		Parent Company	
Skr mn	2018	2017	2018	2017
Derecognition of financial instruments not measured at fair value through profit or loss:				
Available-for-sale financial assets[1]	–	-17	–	-17
Financial assets at amortized cost[2]	24	16	24	16
Financial assets or liabilities at fair value through profit or loss:				
Designated upon initial recognition (FVO)[3]	7,315	-326	7,689	-325
Mandatorily[4]	-7,360	278	-7,360	278
Financial instruments under fair-value hedge accounting:				
Net results of the hedging instrument	-192	-999	-192	-999
Net results of the hedged item	235	946	235	946
Currency exchange-rate effects on all assets and liabilities excl. currency exchange-rate effects related to revaluation at fair value	-3	0	-3	0
Total net results of financial transactions	**19**	**-102**	**393**	**-101**

1 From January 1, 2018, SEK applies IFRS 9 Financial Instruments, which replaces IAS 39 Financial Instruments. The category Available-for-sale was applied until 2017. These assets, liquidity investments, are from 2018 classified at fair value through profit or loss (FVTPL).
2 In conjunction with the transition to IFRS 9 the category Loans and receivables changed name to Financial assets at amortized cost.
3 Difference between Parent Company and Consolidated Group for 2018 is due to different accounting principles regarding changes in SEK's own credit risk, see Note 1.
4 In conjunction with the transition to IFRS 9 the category Held-for-trading changed name to Financial assets at amortized cost.

SEK's general business model is to hold financial instruments measured at fair value to maturity. The net fair value changes that occur, mainly relate to changes in credit spreads on SEK's own debt, which due to IFRS 9, are reported in other comprehensive income from 2018 compared to net results of financial transactions prior to IFRS 9, and basis spreads, which are recognized in net results of financial transactions. The changes could be significant in a single reporting period, but will not affect earnings over time since the lifetime cumulative changes in the instrument's market value will be zero if it is held to maturity and is a performing instrument. When financial instruments are not held to maturity, realized gains and losses can occur, for example when SEK repurchases its own debt, or if lending is repaid early and the related hedging instruments are terminated prematurely. These are effects presented under "Derecognition of financial instruments not measured at fair value through profit or loss", "Financial assets or liabilities at fair value through profit or loss" and "Financial instruments under fair-value hedge accounting". "Financial assets or liabilities at fair value through profit or loss" and "Financial instruments under fair-value hedge accounting" include realized as well as unrealized changes in fair value.

Note 5. Personnel expenses

	Consolidated Group		Parent Company	
Skr mn	2018	2017	2018	2017
Salaries and remuneration to the Board of Directors and the CEO	-7	-7	-7	-7
Salaries and remuneration to Senior Executives	-21	-20	-21	-20
Salaries and remuneration to other employees	-158	-162	-158	-162
Pensions	-52	-58	-60	-60
Social insurance	-59	-61	-59	-61
Other personnel expenses	-14	-12	-14	-12
Total personnel expenses	**-311**	**-320**	**-319**	**-322**

The combined total of the remuneration to senior executives, excluding the CEO of the Parent Company, amounted to Skr 21 million (2017: Skr 20 million). Of the remuneration to senior executives, Skr 21 million (2017: Skr 20 million) is pensionable. Of the remuneration to the CEO of the Parent Company, Skr 5 million (2017: Skr 5 million) is pensionable. For all employees, excluding the CEO, SEK follows collective agreements between the Banking Institution Employers' Organization (BAO) and trade unions.

Note 5, continued

Remuneration and other benefits to the Board of Directors and Senior Executives in the Consolidated Group 2018 Skr thousand	Fee, includes committee fee	Fixed remuneration[1]	Other benefits[2]	Pension fee[3]	Total
Chairman of the Board of Directors:					
Lars Linder-Aronson[4]	-612	–	–	–	-612
Other members of the Board of Directors:					
Cecilia Ardström[4]	-287	–	–	–	-287
Anna Brandt	–	–	–	–	–
Reinhold Geijer[4]	-269	–	–	–	-269
Hans Larsson[4]	-250	–	–	–	-250
Eva Nilsagård, from April 24, 2018	-182	–	–	–	-182
Susanne Lithander, resigned April 24, 2018	-74	–	–	–	-74
Lotta Mellström resigned April 24, 2018[5]	–	–	–	–	–
Ulla Nilsson	-287	–	–	–	-287
Hélène Westholm, from April 24, 2018	–	–	–	–	–
Senior Executives:					
Catrin Fransson, Chief Executive Officer (CEO)[6]	–	-4,743	-88	-1,418	-6,249
Per Åkerlind, Head of Treasury and Capital Management and Executive Vice President	–	-3,339	-85	-1,307	-4,731
Karl Johan Bernerfalk, General Counsel	–	-1,414	-33	-505	-1,952
Andreas Ericson, Head of Mid Corporates, from October 15, 2018	–	-410	-6	-146	-562
Stefan Friberg, Chief Risk Officer (CRO)	–	-2,930	-25	-483	-3,438
Teresa Hamilton Burman, Chief Credit Officer (CCO)	–	-2,326	-16	-493	-2,835
Jens Hedar, Head of Large Corporates, from October 15, 2018	–	-461	-5	-157	-623
Johan Henningsson, Head of Sustainability	–	-1,261	-27	-466	-1,754
Petra Könberg, Head of Marketing & Business Development	–	-1,143	-28	-384	-1,555
Jane Lundgren Ericsson, Head of Lending, resigned October 12, 2018	–	-1,943	-75	-610	-2,628
Ingela Nachtweij, Acting Chief Information Officer (CIO), resigned January 31, 2018	–	-128	-2	-36	-166
Sirpa Rusanen, Chief Human Resources Officer (CHRO)	–	-1,471	-106	-556	-2,133
Susanna Rystedt, Chief Administrative Officer (CAO)	–	-2,255	-108	-733	-3,096
Madeleine Widaeus, IT-chief, from February 1, 2018	–	-1,360	-11	-405	-1,776
Total	**-1,961**	**-25,184**	**-615**	**-7,699**	**-35,459**

1 Predetermined salary or other compensation such as holiday pay and allowances.
2 Other benefits consist of, for example, car allowances and subsistence benefits.
3 Includes premiums for insurance covering sickness benefit for prolonged illness and other public risk insurance as a result of collective pension agreements.
4 Remuneration was invoiced from their private companies in accordance with the state guidelines up to the Annual General Meeting on April 24, 2018.
5 Remuneration is not paid from the Company to the representatives on the Board of Directors, who are employed by the owner, the Swedish Government.
6 The retirement age of the CEO, Catrin Fransson, is 65 years and the pension fee is 30 percent of her fixed salary.

Remuneration and other benefits to the Board of Directors and Senior Executives in the Consolidated Group **2017** Skr thousand	**Fee, includes committee fee**	**Fixed remuneration[1]**	**Other benefits[2]**	**Pension fee[3]**	**Total**
Chairman of the Board of Directors:					
Lars Linder-Aronson[4]	-745	-	-	-	-745
Other members of the Board of Directors:					
Cecilia Ardström[4]	-344	-	-	-	-344
Jan Belfrage, resigned March 22, 2017	-72	-	-	-	-72
Anna Brandt, from November 21, 2017	-	-	-	-	-
Reinhold Geijer, from March 22, 2017[4]	-213	-	-	-	-213
Hans Larsson, from March 22, 2017[4]	-212	-	-	-	-212
Susanne Lithander	-263	-	-	-	-263
Lotta Mellström[5]	-	-	-	-	-
Ulla Nilsson	-273	-	-	-	-273
Teppo Tauriainen, resigned November 21, 2017[5]	-	-	-	-	-
Magnus Uggla, resigned March 22, 2017[4]	-46	-	-	-	-46
Senior Executives:					
Catrin Fransson, Chief Executive Officer (CEO)[6]	-	-4,638	-97	-1,372	-6,107
Per Åkerlind, Head of Treasury and Capital Management and Executive Vice President	-	-3,278	-92	-1,159	-4,529
Karl Johan Bernerfalk, General Counsel	-	-1,372	-18	-447	-1,837
Stefan Friberg, Chief Risk Officer (CRO)	-	-2,908	-19	-465	-3,392
Teresa Hamilton Burman, Chief Credit Officer (CCO)	-	-2,252	-11	-485	-2,748
Johan Henningsson, Head of Sustainability	-	-1,191	-30	-435	-1,656
Petra Könberg, Head of Marketing & Business Development, from April 18, 2017	-	-830	-20	-220	-1,070
Jane Lundgren Ericsson, Head of Lending	-	-2,410	-98	-720	-3,228
Ingela Nachtweij, Acting Chief Information Officer (CIO), from January 10, 2017	-	-1,520	-27	-414	-1,961
Sirpa Rusanen, Chief Human Resources Officer (CHRO)	-	-1,415	-105	-536	-2,056
Susanna Rystedt, Chief Administrative Officer (CAO)	-	-2,191	-112	-720	-3,023
Edvard Unsgaard, Head of Communication, resigned April 18, 2017	-	-314	-8	-102	-424
Total	**-2,168**	**-24,319**	**-637**	**-7,075**	**-34,199**

1 Predetermined salary or other compensation such as holiday pay and allowances.
2 Other benefits consist of, for example, car allowances and subsistence benefits.
3 Includes premiums for insurance covering sickness benefit for prolonged illness and other public risk insurance as a result of collective pension agreements.
4 Remuneration is invoiced from their private companies in accordance with the state guidelines.
5 Remuneration is not paid from the Company to the representatives on the Board of Directors, who are employed by the owner, the Swedish Government.
6 The retirement age of the CEO, Catrin Fransson, is 65 years and the pension fee is 30 percent of her fixed salary.

Total Expenditure on Remuneration in accordance with CRR 2018 Skr thousand (if not number of beneficiaries)	**Executive management**	**Members of staff whose actions have a material impact on the risk profile of the institution (excluding executive management)**
Total amount expensed for remuneration	-33,617	-111,896
of which fixed remuneration	*-33,617*	*-111,896*
of which variable remuneration in cash	-	-
number of beneficiaries	*12*	*114*
Outstanding vested deferred remuneration	-	-
Outstanding unvested deferred remuneration	-207	-1,884
Deferred remuneration awarded	-	-
Deferred remuneration paid out	-239	-2,910
Deferred remuneration reduced through performance adjustments	-	-
Severance payments made	-	-
number of beneficiaries	-	-
Severance payments awarded	-	-1,319

Total Expenditure on Remuneration in accordance with CRR 2017 Skr thousand (if not number of beneficiaries)	**Executive management**	**Members of staff whose actions have a material impact on the risk profile of the institution (excluding executive management)**
Total amount expensed for remuneration	-38,974	-144,635
of which fixed remuneration	*-38,974*	*-139,434*
of which variable remuneration in cash	-	*-5,201*
number of beneficiaries	*11*	114
Outstanding vested deferred remuneration	-85	-4,479
Outstanding unvested deferred remuneration	-85	-4,479
Deferred remuneration awarded	-	-3,121
Deferred remuneration paid out	-137	-1,399
Deferred remuneration reduced through performance adjustments	-	-
Severance payments made	-	-
number of beneficiaries	-	-
Severance payments awarded	-	-

Finansinspektionens (the Swedish FSA's) regulations (FFFS 2011:1) regarding remuneration structures in credit institutions, investment firms and fund management companies licensed to conduct discretionary portfolio management apply to SEK. Moreover, SEK applies the government's guidelines on terms of employment for senior executives at state-owned companies. In accordance with these regulations, SEK's Board has prepared a proposal for a set of guidelines for the remuneration of senior executives at SEK, which was adopted at the 2018 Annual General Meeting. The guidelines stipulate that salary and remuneration to the senior executives of SEK should be fair and reasonable. They should also be competitive, capped and appropriate as well as contribute to good ethical principles and corporate culture. Remuneration should not be higher than at comparable companies, and should be reasonable. Remuneration to senior executives consists of fixed salary, pension and other benefits. Pension terms for senior executives should be in the form of defined contribution plans.

SEK's remuneration system is designed to promote sound and effective risk management and restrict excessive risk-taking. Remuneration to employees is mainly determined at fixed amounts.

SEK's Board of Directors' Remuneration Committee (the "Remuneration Committee") prepares proposals for decision by the Board relating to remuneration policy for the Company, on total remuneration for the CEO, for other members of the executive management, for the Head of Compliance, and for other employees reporting directly to the CEO, as well as on the terms and conditions for and the outcome of the Company's remuneration system. The Remuneration Committee also prepares and handles overall issues relating to remuneration (salaries, pension and other benefits), measures aimed at applying SEK's remuneration policy, and issues relating to succession planning. Further, the Remuneration Committee prepares overall instructions for remuneration issues that it deems necessary. The Remuneration Committee also ensures that the relevant oversight department, together with the Remuneration Committee, annually reviews and evaluates the Company's remuneration systems and also reviews whether such systems comply with the Company's remuneration policy and relevant instructions regarding remuneration. The outcome is presented to the Board in a separate report on the same day as the annual report is submitted. The Remuneration Committee has met seven times in 2018.

Since 2011, the Company has had only one system for variable remuneration, the EIS. The EIS applies to all permanent employees, with the exception of the executive management (except for three newly appointed senior executives, where deferred remuneration related to 2014 is included according to the agreement at that time), and employees within the Risk Department and employees within the Compliance Department.

The aim of the EIS was to contribute to attracting and retaining staff, promote the achievement of the Company's long-term objectives, and encourage cooperation between different parts of the organization in order to progress toward shared objectives.

If the resulting return, after adjustment for any non-operational items and risk assumption, exceeded the budgeted return, those employees encompassed by EIS received a share of the excess return, however this was capped at an amount equal to two months' salary, including payroll taxes. The terms and conditions entailed that the variable remuneration never exceeded 16.67 percent of the fixed remuneration. The final decision on the result and the amount to be paid out under the EIS was taken by the Board.

In autumn 2016, the Board decided that the EIS would cease to apply from the end of 2016. Any remaining payments under the EIS attributable to results up until 2016 will be subject to the same rules that applied in the respective vesting years. In parallel, the Board decided that permanent employees should be offered certain benefits related to wellness, healthcare and medical care. Moreover, the Board decided to implement a system, over a three-year trial period (2017-2019), whereby it will be possible to offer permanent employees with customer or business responsibility, with the exception of members of the executive management, the possibility of individual variable remuneration (IVR). IVR will be evaluated on an ongoing basis. The results of the evaluation will be referred to the Remuneration Committee. Following the trial period, a more extensive evaluation will be performed.

In the areas where IVR is applicable, the corresponding EIS rules apply. This includes the discretionary nature of the system, that all outcomes are subject to deferred payment and that the Board takes all decisions regarding results and payments. Before an individual receives any IVR payment, the payment is subject to testing at three different levels: the Company level, the Department level and the Individual level. The test at the Company level is the basis for any IVR outcome. The outcome at the Company level is conditional on the actual return, following any applicable adjustment for the impact of non-operational items and increases in the Company's total risk assumption compared with the target risk assumption, exceeding a predetermined target. Of the profit that corresponds to any excess return, a percentage accrues to the IVR at the Company level. The outcome at the Company level is capped at a maximum of two months' salary, calculated on the basis of all Company employees entitled to IVR. In the case of a positive outcome at the Company level, the next step is to test at the Department level. This test assesses the outcome at the Department level in relation to the department's quantitative targets. If the targets have not been reached, the outcome at the Company level is reduced for all members of the department. The remainder after this test comprises the outcome at the Department level, which is capped at a maximum of two months' salary, calculated on the basis of all department's employees entitled to IVR. The final test is at the Individual level. This test assesses the behavior and performance of individuals. For each individual, the outcome following the test at the Individual level is subject to a floor of zero and a ceiling of 1.5 times the amount at the Department level. Accordingly, the maximum outcome for any individual is three months' salary. The total outcome for all employees encompassed by IVR in a department must be within the outcome at the Department level. The Company pays payroll taxes on any IVR paid, which also carries pension entitlements.

SEK's remuneration policy is designed in such a way that the Company may decide that remuneration that is subject to deferred disbursement may be withheld, in part or full, if it subsequently transpires that the performance criteria have not been fulfilled or if the employee has breached certain internal rules. The same applies if disbursement would not be justifiable by the Company's financial situation. Moreover, the outcome may also be adjusted if credit losses, or recoveries of credit losses, have occurred after the relevant income year, but are deemed to be attributable to the said income year.

For all employees encompassed by IVR, the disbursement plan states that 40 percent of the outcome will be disbursed in April in the year following the income year to which the remuneration relates, and 20 percent will be disbursed in April in each of the three subsequent years.

As part of its strategic analysis and planning, the Company undertakes an annual process for internal capital and liquidity assessment. As part of this assessment, an analysis is conducted with the aim of identifying employees, whose work duties have a material impact on SEK's risk profile, including risks related to the Company's remuneration policy and remuneration system. The outcome of this analysis is taken into account when designing the remuneration systems in order to promote sound and efficient risk management and to restrict excessive risk-taking. The number of employees that receive remuneration of EUR 1 million or more per fiscal year is zero. No new agreements containing variable remunerations have been established during the year.

The CEO's, Catrin Fransson's, terms of employment comply with the Guidelines for Terms of Employment for Senior Executives in State-owned Companies (adopted April 20, 2009).

SEK pays a defined contribution pension insurance amounting to 30 percent of the CEO's pensionable salary. The retirement age for the CEO is 65.

For the CEO, SEK pays premiums for insurance for sickness benefits for prolonged illness, other collective risk insurance corresponding to those applicable under the BTP plan as well as healthcare insurance under Skandia Privatvård Plus and travel insurance. Other benefits payable to the CEO include car and per diem allowances. The CEO is entitled to six months' notice prior to termination initiated by SEK and severance pay corresponding to 18 months' salary. A deduction is made for any income arising from new employment.

The retirement age is 65 for all senior executives. The pension terms, conditions for termination of employment and other terms of employment for the senior executives follow the current Guidelines for Terms of Employment for Senior Executives in State-owned Companies (adopted April 20, 2009), where the BTP plan is included as an approved, collectively bargained, defined-benefit and defined-contribution pension plan. Since the 2017 Annual General Meeting, the new guidelines apply when appointing new senior executives at SEK. Pension provisions for senior executives in SEK are limited to 30 percent of pensionable income for retirement and survivors' pension. Due to SEK's implementation of a defined-benefit pension plan, the BTP plan, resulting from a collective agreement between the BAO and the Financial Sector Union of Sweden, covering employees in the banking and finance industries, the contribution for retirement and survivors' pension can exceed 30 percent.

For the senior executives, SEK pays premiums for insurance for sickness benefits for prolonged illness, other collective risk insurance arising out of applicable collective agreements as well as travel insurance and health insurance. Other benefits include car and per diem allowances.

Per Åkerlind and Sven-Olof Söderlund have notice periods of six months should termination be initiated by SEK and are entitled to severance pay corresponding to 18 months' salary. A deduction is made for any income arising from new employment. For other senior executives, the notice period upon termination initiated by SEK follows collective agreements. Upon resignation by the employee, the notice period is three or six months.

Pensions

The employees at SEK have a collectively bargained pension plan through the BTP plan, which is the most significant pension plan for salaried bank employees in Sweden. The BTP plan is funded by means of insurance with the insurance companies SPP and SEB.

The total pension cost for defined benefit and defined contribution obligations are shown below

Skr mn	2018	2017
Service cost	-4	-5
Regulation of pension obligations	5	-
Interest cost, net	-1	-1
Pension cost for defined benefit pensions, incl. payroll tax	**0**	**-6**
Pension cost for defined contribution pension cost incl. payroll tax	-52	-52
Pension cost recognized in personnel costs	**-52**	**-58**
Actuarial gains and (losses) on defined benefit obligation during period	-48	-7
Return above expected return, gains and (losses) on plan assets	0	3
Change in the effect of the asset ceiling excluding interest	-	-
Revaluation of defined benefit plans	**-48**	**-4**

The following table specifies the net value of defined benefit pension obligations

Skr mn	2018	2017
Defined benefit obligations	253	263
Plan assets	-173	-223
Restriction to net defined benefit asset due to the asset ceiling	0	0
Provision for pensions, net obligation (see Note 21)	**80**	**40**

The following table shows the development of defined benefit obligations

Skr mn	2018	2017
Defined benefit obligation, opening balance	263	254
Service cost	4	5
Interest cost	6	7
Pension Payments incl. special payroll tax	-9	-10
Other	-59	-
Actuarial (gains) and losses, effect due to changed demographic assumptions	-	-
Actuarial (gains) and losses, effect due to changed financial assumptions	46	9
Actuarial (gains) and losses, effect due to experience based outcome	2	-2
Defined benefit obligation, closing balance	**253**	**263**

The following table shows the development of plan assets related to defined benefit obligation

Skr mn	2018	2017
Fair value of plan assets, opening balance	223	216
Expected return on plan assets	5	6
Contributions by the employer[1]	7	7
Benefits paid[2]	-8	-8
Other[3]	-54	-
Return on plan assets excluding interest income	0	2
Fair value of plan assets, closing balance	**173**	**223**

1 Expected contribution from the employer in the following year is Skr 6 million (2017: Skr 7 million) excluding payroll tax.
2 Expected compensation paid in the following year is Skr 8 million (2017: Skr 9 million).
3 Regulation of p[illegible]n obligations related to Venantius AB and its subsidiaries, which w[illegible]quidated in 2018.

The following table shows the distribution of plan assets related to defined benefit obligation

Skr mn	2018	2017
Domestic equity investments	3	4
Foreign equity investments	12	16
Domestic government bonds	43	63
Domestic corporate bonds	26	40
Mortgage bonds	49	76
Other Investments	19	-
Properties	21	24
Total	**173**	**223**

The following table displays principal actuarial assumptions used end of year

%	2018	2017
Discount rate	2.1	2.5
Assumption of early pension withdrawal	20.0	20.0
Expected salary increase	2.0	2.0
Expected inflation	2.0	1.6
Expected lifetime	DUS14	DUS14
Expected turnover	5.0	5.0

Sensitivity analysis of essential assumptions

	Negative outcome		**Positive outcome**	
Discount rate	-1%	1.1%	+1%	3.1%
Defined benefit obligation		324		202
Service cost		8		4
Interest cost		4		6
Expected lifetime	+1 year		-1 year	
Defined benefit obligation		266		242
Service cost		6		5
Interest cost		6		5

Net reconciliation of pension liabilities

Skr mn	2018	2017
Pension liabilities, opening balance	40	38
Net periodic pension cost	0	6
Contributions by the employer	-7	-7
Net pension payments	-1	-1
Revaluations recognized in other comprehensive income	48	4
Pension liabilities, closing balance	**80**	**40**

Pension cost

	Parent Company	
Skr mn	2018	2017
Pension commitments provided for in the statement of financial position		
Pension costs for the year, excluding taxes	0	0
Pension commitments provided for through insurance contracts		
Pension costs for the year, excluding taxes	-59	-59
Net cost accounted for pensions, excluding taxes	**-59**	**-59**

Reconciliation of provisions for pensions

	Parent Company	
Skr mn	2018	2017
Opening balance, January 1	11	12
Provisions made / provision used	-1	-1
Closing balance, December 31	**10**	**11**

Net interest is calculated using the discount rate of pension obligations, based on the net surplus or net deficit in the defined benefit plan.

Pension expense in 2018 for defined benefit pensions amounts to Skr 0 million (2017: Skr 6 million).

As of December 31, 2018, the expected weighted average remaining service time for active employees was 16.66 years, (2017: 17.58 years) the expected weighted average duration for the present value was 19.37 years (2017: 17.38 years) and the average salary for active employees was Skr 0.8 million (2017: Skr 0.8 million).

Discount rate

Swedish government bonds were previously used as the basis for calculating pension liabilities. Since January 1, 2013 the calculation has instead been based on the estimated interest curve of Swedish mortgage bonds, as this market is regarded as liquid enough to be used for this purpose. The discount rate is based on market expectations at the end of the accounting period, using bonds with the same duration as the pension liability.

Expected early retirement

According to the transitional rule for § 8 in the BTP-plan, the calculation includes the assumption that 20 percent of the employees use the possibility for early retirement. The earliest retirement age is 61 for employees born 1956 or earlier. Employees born 1967 or later have no right to retire before age 65.

Expected return on plan assets

Expected return on plan assets is equal to the discount rate as regulated in IAS 19.

Expected salary increase

The assumption of salary increase is based on SEK's assessment.

Expected inflation

The expected inflation is in line with Swedish inflation-linked bonds.

Expected employee turnover

Expected employee turnover is based on SEK's assessment of the long-term expected Company staff attrition during one year.

Parent Company

In the Parent Company, the BTP plan is accounted for as a defined contribution plan. Defined benefit plans are not accounted for in accordance with IAS 19 but are accounted for in accordance with Swedish standards, including the Swedish law on pensions, "Tryggandelagen" and regulations prescribed by the Swedish Financial Supervisory Authority. The primary differences as compared to IAS 19 include the discount rate and the calculation of defined benefit obligations based on current salary levels without consideration of future salary increases.

Average number of employees	2018	2017	2016
Women	117	121	122
Men	126	131	138
Total average number of employees	**243**	**252**	**260**

Number of employees at year-end	2018	2017	2016
Women	118	122	122
Men	120	128	134
Total number of employees[1]	**238**	**250**	**256**
of which full-time employees	*230*	*243*	*250*
Allocation of women/men	49/51	48/52	47/53
of which part-time employees	*8*	*7*	*6*
Allocation of women/men	75/25	86/14	83/17
of which permanent employees	*236*	*246*	*251*
Allocation of women/men	50/50	49/51	48/52
of which temporary employees	*2*	*4*	*5*
Allocation of women/men	50/50	50/50	20/80
of which managers	*29*	*31*	*33*
of which non-management	*209*	*219*	*223*

1 In addition to its employees, SEK had 32 consultants (FTEs) engaged at year-end 2018.

Employees by age distribution	2018	2017	2016
Total number of employees	238	250	256
of which under the age of 30 years	*13*	*16*	*16*
of which between 30 and 50 years	*127*	*142*	*153*
of which over 50 years	*98*	*92*	*87*

Employee turnover	2018	2017	2016
Number of employees who left employment	32	31	26
of which women	*12*	*12*	*9*
of which men	*20*	*19*	*17*
of which under the age of 30 years	*3*	*4*	*2*
of which between 30 and 50 years	*20*	*20*	*17*
of which over 50 years	*9*	*7*	*7*

Health, %	2018	2017	2016
Absence due to sickness	3.1	3.3	4.0
Percentage of employees that use SEK's fitness allowance	91	92	84

Equality and diversity	2018	2017	2016
Allocation of women/men on the Board of Directors	62/38	60/40	50/50
Allocation of women/men in SEK's executive management	50/50	64/36	50/50
Allocation of women/men in management positions	41/59	42/58	36/64
Allocation of women/men at SEK in total	51/49	49/51	48/52
Allocation of employees with foreign/ Swedish background[1]	33/67	33/67	30/70

1 Foreign background is defined as "I was raised in a country other than Sweden (wholly or in part)", "I was born in another country but raised in Sweden" and "I myself was born and raised in Sweden but have a parent/ parents born and raised in another country". The survey is conducted at least once every three years.

Employee development	2018	2017	2016
Percentage of employees who had a performance review (percent)	96	95	98
Average number of training days per employee (all employees are white-collar workers)	3	2	3

Note 6. Other administrative expenses

Skr mn	2018	2017
Travel expenses and marketing	-7	-8
IT and information system (fees incl.)	-151	-144
Other fees	-34	-38
Premises[1]	-33	-32
Other	-6	-10
Total other administrative expenses	**-231**	**-232**

1 SEK is a partner in rental agreements of office space in Stockholm and Gothenburg.

Cost of operating leases

Skr mn	2018	2017
Leases	-32	-31

The primary cost relates to SEK's office premises.

Future minimum rentals payable under non-cancellable operating leases are as follows

Skr mn	Dec 31, 2018	Dec 31, 2017
Within 1 year	-32	-32
Between 1 and 5 years	-60	-88
More than 5 years	-	-
Total future minimum rentals payable under non-cancellable operating leases	**-92**	**-120**

Remuneration to auditors

Skr mn	2018	2017
Öhrlings PricewaterhouseCoopers AB:		
Audit fees[1]	-8	-8
Audit related fees[2]	0	0
Tax related fees[3]	-	0
Other fees[4]	-2	-1
Total	**-10**	**-9**

1 Fees related to audit of annual financial statements and reviews of interim financial statements.
2 Fees charged for assurance and related services that are related to the performance of audit or review of the financial statements and are not reported under Audit fees.
3 Fees for professional services rendered by the principal independent auditors for tax compliance and tax advice.
4 Fees for products and services rendered by the principal independent auditors, other than the services reported in Audit fees through Tax related fees above.

In the financial statements remuneration to auditors is mainly included in Other administrative expenses.

Note 7. Tangible and intangible assets

Skr mn	Dec 31, 2018	Dec 31, 2017
Net book value		
Tangible assets	26	22
Intangible assets[1]	43	66
Total net book value	**69**	**88**
Depreciation and impairment during the year according to the Consolidated Statement of Comprehensive Income	-40	-45

1 Intangible assets consist of the capitalized portion of investments in IT systems. The average useful life for intangible assets is 5 years.

Note 8. Leasing

All SEK's leasing transactions, where SEK is the lessor, are classified as financial leases. When making such classification all aspects regarding the leasing contract, including third party guarantees, are taken into account. A reconciliation between the gross investment in the leases and the present value of minimum lease payments receivable at the end of the reporting period can be found below. Future lease payments receivable will mature in the following periods.

	December 31, 2018		December 31, 2017	
Skr mn	Gross investment	Present value of minimum lease payments	Gross investment	Present value of minimum lease payments
No later than one year	117	113	124	107
Later than one year and no later than five years	182	156	246	226
Later than five years	8	5	-	-
Total	**307**	**274**	**370**	**333**
Unearned finance income	-	33	-	37
Unguaranteed residual value	-	-	-	-

The leases are included in the line item "Loans to the public" in the Statement of Financial Position.

Note 9. Impairments

Skr mn	2018[1]	2017[2]
Expected credit losses, stage 1	6	n.a.
Expected credit losses, stage 2	14	n.a.
Expected credit losses, stage 3	-13	n.a.
Impairment of financial assets	n.a.	-59
Reversals of previous write-downs	–	110
Established credit losses	–	-47
Reserves applied to cover established credit losses	–	46
Recovered credit losses	0	1
Net credit losses	**7**	**51**

1 Expected credit losses according to IFRS 9
2 Impairments according to IAS 39

	December 31, 2018				December 31, 2017
Skr mn	Stage 1	Stage 2	Stage 3	Total	Total
Loans, before expected credit losses					
Loans in the form of interest-bearing securities	34,112	2,686	–	36,798	41,125
Loans to credit institutions	10,188	1,164	–	11,352	12,884
Loans to the public	134,117	25,405	1,424	160,946	141,266
Off balance, before expected credit losses					
Guarantees	2,818	1,246	1	4,065	3,360
Committed undisbursed loans	21,348	30,177	–	51,525	74,125
Total, before expected credit losses	**202,583**	**60,678**	**1,425**	**264,686**	**272,760**
of which guaranteed	*60.4%*	*85.4%*	*94.3%*	*64.1%*	
Loss allowance, loans					
Loans in the form of interest-bearing securities	-9	-3	–	-12	–
Loans to credit institutions	-1	-1	–	-2	–
Loans to the public	-24	-17	-82	-123	-155
Loss allowance, off balance [1]					
Guarantees	0	0	-2	-2	–
Committed undisbursed loans	0	0	–	0	–
Total, loss allowance	**-34**	**-21**	**-84**	**-139**	**-155**
Provision ratio	0.02%	0.03%	5.89%	0.05%	0.06%

1 Recognized under provision in Consolidated Statement of Financial Position

Loans and off balance, before Loss Allowance

	December 31, 2018			
Skr mn	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Opening balance[1]	209,232	62,286	1,242	272,760
Increase due to origination and acquisition	37,594	768	3	38,365
Transfer to stage 1	2,490	–	–	2,490
Transfer to stage 2	–	5,431	–	5,431
Transfer to stage 3	–	–	466	466
Decrease due to derecognition	-46,733	-7,807	-286	-54,826
Closing balance	**202,583**	**60,678**	**1,425**	**264,686**

1 Effect on opening balance after implementation of IFRS 9 Skr 18 million.

Loss Allowance

	December 31, 2018				31 december,2017[3]
Skr mn	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
Opening balance[1]	-38	-33	-66	-137	-254
Increases due to origination and acquisition	-12	-2	-1	-15	n.a.
Net remeasurement of loss allowance	12	9	-14	7	51
Transfer to stage 1	0	0	–	0	n.a.
Transfer to stage 2	1	-1	–	0	n.a.
Transfer to stage 3	0	-2	2	0	n.a.
Decreases due to derecognition	5	10	0	15	n.a.
Decrease in allowance account due to write-offs	–	–	–	–	46
Exchange-rate differences[2]	-2	-2	-5	-9	2
Closing balance	**-34**	**-21**	**-84**	**-139**	**-155**

1 Effect on opening balance after implementation of IFRS 9 Skr 18 million.
2 Recognized under Net results of financial transactions in the Statement of Comprehensive Income.
3 According to IAS 39

Loan credit quality, before expected credit losses, allocated by stage

	December 31, 2018			
Skr mn	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
AAA	1,204	–	–	1,204
AA+ to A-	25,635	51	–	25,686
BBB+ to BBB-	107,289	1,161	–	108,450
BB+ to BB-	28,055	18,972	28	47,055
B+ to B-	16,234	8,869	–	25,103
CCC to D	–	202	1,396	1,598
Total, before expected credit losses	**178,417**	**29,255**	**1,424**	**209,096**

Past-due receivables, historic amounts, according to IAS 39

Past-due receivables have been recorded at the amounts expected to actually be received at settlement.

Skr mn	**December 31, 2017**
Past-due receivables:	
Aggregate amount of principal and interest less than, or equal to, 90 days past-due	136
Aggregate amount of principal and interest more than 90 days past due [1]	10
Principal amount not past-due on such receivables	494
Total Past-due receivables	**640**

1 Of the aggregate amount of principal and interest past due, Skr 3 million was due for payment more than three but less than, or equal to, six months before the end of the reporting period, Skr 3 million was due for payment more than six but less than, or equal to, nine months before the end of the reporting period, and Skr 5 million was due for payment more than nine months before the end of the reporting period.

More information regarding SEK's Credit Policy is found in Note 27. Risk information and in the Risk and capital management section.

Note 10. Taxes

	Consolidated Group		Parent Company	
Skr mn	2018	2017	2018	2017
Income tax				
Adjustment previous year	-1	0	-1	0
Current tax	-448	-262	-530	-262
Deferred tax	245	27	–	0
Total income tax	**-204**	**-235**	**-531**	**-262**
Income tax related to other comprehensive income				
Tax on items to be reclassified to profit or loss				
Current tax	6	27	6	27
Deferred tax	–	–	–	–
Tax on items not to be reclassified to profit or loss				
Current tax	-82	–	–	–
Deferred tax	10	1	–	–
Income tax related to other comprehensive income	**-66**	**28**	**6**	**27**
Reconciliation of effective tax rate				
The Swedish corporate tax rate, %	22.0	22.0	22.0	22.0
Profit before taxes	852	1,007	2,340	1,126
National tax based on profit before taxes	-187	-222	-515	-248
Tax effects of:				
Non-taxable income	0	1	0	1
Non-deductible expenses	-14	-15	-14	-15
Imputed interest on tax allocation reserve	-2	-2	-2	-2
Dividend received	–	–	–	0
Other	-1	3	–	2
Total tax	**-204**	**-235**	**-531**	**-262**
Effective tax expense in %	24.0	23.3	22.7	23.3

Deferred taxes

Skr mn	2018	2017
Deferred tax assets concerning:		
Temporary differences, related to pensions	15	7
Other temporary differences	–	–
Total deferred tax assets	**15**	**7**
Deferred tax liabilities concerning:		
Untaxed reserves	291	538
Total deferred tax liabilities	**291**	**538**
Net deferred tax liabilities (+) / tax assets (−)	**276**	**531**

No deductible loss carry forwards existed as of December 31, 2018, or December 31, 2017.

Change in deferred taxes

Skr mn	2018	2017
Opening balance	531	559
Change through profit or loss	-245	-27
Change in other comprehensive income	-10	-1
Total	**276**	**531**

No deferred taxes accounted for in the Parent Company as of December 31, 2018, or December 31, 2017.

In June 2018 , the Swedish Parliament introduced, among other things, reduced corporate tax and general interest deduction restrictions. The new rules came into force on January 1, 2019. The corporate tax is reduced in two stages - first to 21.4% (from January 1, 2019) and later to 20.6% (from January 1, 2021). The change has not had any significant impact on SEK's deferred taxes.

Untaxed reserves

	Parent Company	
Skr mn	Dec 31, 2018	Dec 31, 2017
Tax allocation reserve:		
Opening balance	2,444	2,565
Dissolution during the year	-1,123	-471
Allocation during the year	–	350
Closing balance	**1,321**	**2,444**
of which:		
2012 Tax allocation reserve	*–*	*257*
2013 Tax allocation reserve	*–*	*418*
2014 Tax allocation reserve	*–*	*448*
2015 Tax allocation reserve	*451*	*451*
2016 Tax allocation reserve	*520*	*520*
2017 Tax allocation reserve	*350*	*350*
2018 Tax allocation reserve	*–*	*–*

In the financial statements of the Consolidated Group, the untaxed reserves of the Group companies are allocated 78 percent to equity and 22 percent to deferred taxes included as deferred tax liabilities in the statement of financial position. Changes in the amounts reported as deferred taxes are included in taxes on net profit in the Statement of Comprehensive Income.

Note 11. Loans and liquidity investments

Skr mn	Dec 31, 2018	Dec 31, 2017
Loans:		
Loans in the form of interest-bearing securities	36,781	41,125
Loans to credit institutions	27,725	23,198
Loans to the public	161,094	141,111
Less:		
Cash collateral under the security agreements for derivative contracts[1]	-16,374	-10,314
Deposits with time to maturity exceeding three months	–	–
Total loans	**209,226**	**195,120**
Liquidity investments:		
Cash and cash equivalents	2,416	1,231
Cash collateral under the security agreements for derivative contracts	16,374	10,314
Deposits with time to maturity exceeding three months	–	–
Treasuries/government bonds	11,117	4,382
Other interest-bearing securities except loans	48,665	39,807
Total liquidity investments	**78,572**	**55,734**
of which issued by public authorities	*15,110*	*9,309*
of which quoted on an exchange	*24,505*	*22,396*

1 Included in Loans to credit institutions.

Difference between book value amount and amount contractually required to be paid at maturity for interest-bearing securities not carried at fair value

Skr mn	2018	2017
Sum of amounts exceeding nominal	143	4
Sum of amounts falling below nominal	-39	-57

Volume Development, Lending

			of which the CIRR-system	
Skr mn	2018	2017	2018	2017
Offers of long-term loans accepted	57,015	89,305	4,916	36,909
Undisbursed loans at year-end	50,814	72,914	47,664	69,161
Loans outstanding at year-end	209,226[1]	195,120[1]	69,922	49 124

1 Including concessionary loans by Skr 663 million (year-end 2017: Skr 754 million) .

Outstanding loans as per business area

			of which the CIRR-system	
Skr mn	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Lending to Swedish exporters	89,759	93,060	–	–
Lending to exporters' customers	119,467	102,060	69,922	49 124
Total lending	**209,226**[1]	**195,120**[1]	**69,922**	**49 124**

1 Including concessionary loans by Skr 663 million (year-end 2017: Skr 754 million) .

Note 12. Classification of financial assets and liabilities

Financial assets by accounting category:

	December 31, 2018			
	Financial assets at fair value through profit or loss		**Amortized cost**	**Total**
Skr mn	Mandatorily	Derivatives used for hedge accounting		
Cash and cash equivalents	–	–	2,416	2,416
Treasuries/government bonds	11,117	–	–	11,117
Other interest-bearing securities except loans	48,665	–	–	48,665
Loans in the form of interest-bearing securities	–	–	36,781	36,781
Loans to credit institutions	–	–	27,725	27,725
Loans to the public	–	–	161,094	161,094
Derivatives	4,565	1,964	–	6,529
Total financial assets	**64,347**	**1,964**	**228,016**	**294,327**

Financial liabilities by accounting category:

	December 31, 2018				
	Financial liabilities at fair value through profit or loss			**Amortized cost**	**Total**
Skr mn	Mandatorily	Designated upon initial recognition (FVO)	Derivatives used for hedge accounting		
Borrowing from credit institutions	–	–	–	2,247	2,247
Debt securities issued	–	64,687	–	190,913	255,600
Derivatives	15,652	–	6,282	–	21,934
Total financial liabilities	**15,652**	**64,687**	**6,282**	**193,160**	**279,781**

Financial assets by accounting category according to IAS 39:

	December 31, 2017					
	Financial assets at fair value through profit or loss		**Derivatives used for hedge accounting**	**Available-for-sale**	**Loans and receivables**	**Total**
Skr mn	Held-for-trading	Designated upon initial recognition (FVO)				
Cash and cash equivalents	–	–	–	–	1,231	**1,231**
Treasuries/government bonds	–	–	–	4,382	–	**4,382**
Other interest-bearing securities except loans	–	113	–	39,694	–	**39,807**
Loans in the form of interest-bearing securities	–	–	–	–	41,125	**41,125**
Loans to credit institutions	–	–	–	–	23,198	**23,198**
Loans to the public	–	–	–	–	141,111	**141,111**
Derivatives	4,356	–	3,447	–	–	**7,803**
Total financial assets	**4,356**	**113**	**3,447**	**44,076**	**206,665**	**258,657**

Financial liabilities by accounting category according to IAS 39:

	December 31, 2017				
	Financial liabilities at fair value through profit or loss		**Derivatives used for hedge accounting**	**Other financial liabilities**	**Total**
Skr mn	Held-for-trading	Designated upon initial recognition (FVO)			
Borrowing from credit institutions	–	–	–	2,317	**2,317**
Debt securities issued	–	63,421	–	159,095	**222,516**
Derivatives	10,864	–	5,616	–	**16,480**
Subordinated liabilities	–	–	–	2,040	**2,040**
Total financial liabilities	**10,864**	**63,421**	**5,616**	**163,452**	**243,353**

Note 13. Financial assets and liabilities at fair value

Skr mn	Book value	Fair value	Surplus value (+) / Deficit value (−)
	December 31, 2018		
Cash and cash equivalents	2,416	2,416	-
Treasuries/governments bonds	11,117	11,117	-
Other interest-bearing securities except loans	48,665	48,665	-
Loans in the form of interest-bearing securities	36,781	37,666	885
Loans to credit institutions	27,725	27,709	-16
Loans to the public	161,094	164,734	3,640
Derivatives	6,529	6,529	-
Total financial assets	**294,327**	**298,836**	**4,509**
Borrowing from credit institutions	2,247	2,247	-
Debt securities issued	255,600	256,619	1,019
Derivatives	21,934	21,934	-
Total financial liabilities	**279,781**	**280,800**	**1,019**

Skr mn	Book value	Fair value	Surplus value (+) / Deficit value (−)
	December 31, 2017		
Cash and cash equivalents	1,231	1,231	-
Treasuries/governments bonds	4,382	4,382	-
Other interest-bearing securities except loans	39,807	39,807	-
Loans in the form of interest-bearing securities	41,125	42,352	1,227
Loans to credit institutions	23,198	23,451	253
Loans to the public	141,111	144,935	3,824
Derivatives	7,803	7,803	-
Total financial assets	**258,657**	**263,961**	**5,304**
Borrowing from credit institutions	2,317	2,317	-
Debt securities issued	222,516	223,465	949
Derivatives	16,480	16,480	-
Subordinated liabilities	2,040	2,047	7
Total financial liabilities	**243,353**	**244,309**	**956**

The majority of financial liabilities and some of the financial assets in the Statement of Financial Position are accounted for at full fair value or at a value that represents fair value for the components hedged in a hedging relationship. Lending and borrowing not classified as hedge accounting or FVO are accounted for at amortized cost.

Determining fair value of financial instruments

The best evidence of fair value is quoted prices in an active market. The majority of SEK's financial instruments are not publicly traded, and quoted market values are not readily available.

Fair value measurements are categorized using a fair value hierarchy. The financial instruments have been categorized under the three levels of the IFRS fair value hierarchy that reflects the significance of inputs. The categorization of these instruments is based on the lowest level of input that is significant to the fair value measurement in its entirety.

SEK uses the following hierarchy for determining and disclosing the fair value of financial instruments based on valuation techniques:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For more information on determining the fair value of financial transactions, see Note 1.

In the process of estimating or deriving fair values for items accounted for at amortized cost, certain assumptions have been made. In those cases where quoted market values for the relevant items are available, such market values have been used.

The tables below show the fair values of the items carried at amortized cost or fair value. They are distributed according to the fair value hierarchy.

Financial assets reported at amortized cost in fair value hierarchy

	December 31, 2018				
	Fair value				Book value
Skr mn	**Level 1**	**Level 2**	**Level 3**	**Total**	**Total**
Cash and cash equivalents	2,416	–	–	2,416	2,416
Loans in the form of interest-bearing securities	287	37,379	–	37,666	36,781
Loans to credit institutions	–	27,709	–	27,709	27,725
Loans to the public	–	164,722	–	164,722	161,094
Total financial assets in fair value hierarchy	**2,703**	**229,810**	**–**	**232,513**	**228,016**

Financial liabilities reported at amortized cost in fair value hierarchy

	December 31, 2018				
	Fair value				Book value
Skr mn	**Level 1**	**Level 2**	**Level 3**	**Total**	**Total**
Borrowing from credit institutions	–	2,247	–	2,247	2,247
Debt securities issued	–	191,932	–	191,932	190,913
Total financial liabilities in fair value hierarchy		**194,179**	**–**	**194,179**	**193,160**

Financial assets reported at amortized cost in fair value hierarchy

	December 31, 2017				
Loans and accounts receivable	Fair value				Book value
Skr mn	**Level 1**	**Level 2**	**Level 3**	**Total**	**Total**
Cash and cash equivalents	1,231	–	–	1,231	1,231
Loans in the form of interest-bearing securities	550	41,802	–	42,352	41,125
Loans to credit institutions	–	23,451	–	23,451	23,198
Loans to the public	–	144,935	–	144,935	141,111
Total financial assets in fair value hierarchy	**1,781**	**210,188**	**–**	**211,969**	**206,665**

Financial liabilities reported at amortized cost in fair value hierarchy

	December 31, 2017				
Other financial liabilities	Fair value				Book value
Skr mn	**Level 1**	**Level 2**	**Level 3**	**Total**	**Total**
Borrowing from credit institutions	–	2,317	–	2,317	2,317
Debt securities issued	–	160,044	–	160,044	159,095
Subordinated liabilities	–	2,047	–	2,047	2,040
Total financial liabilities in fair value hierarchy	**–**	**164,408**	**–**	**164,408**	**163,452**

Financial assets reported at fair value in fair value hierarchy

	December 31, 2018							
	Financial assets at fair value through profit or loss				Available-for-sale[1]			
Skr mn	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Treasuries/governments bonds	-	11,117	-	11,117				
Other interest-bearing securities except loans	-	48,665	-	48,665				
Derivatives	-	4,596	1,933	6,529				
Total financial assets in fair value hierarchy	**-**	**64,378**	**1,933**	**66,311**				

1 Due to the transition to IFRS 9, the financial assets classified as available-for-sale under IAS 39 are now classified as "Financial assets at fair value through profit or loss"

Financial liabilities reported at fair value in fair value hierarchy

	December 31, 2018			
	Financial liabilities at fair value through profit or loss			
Skr mn	Level 1	Level 2	Level 3	Total
Debt securities issued	-	16,789	47,898	64,687
Derivatives	-	15,414	6,520	21,934
Total financial liabilities in fair value hierarchy	**-**	**32,203**	**54,418**	**86,621**

Transfers were made between level 2 and level 3 during 2018 which amounted to Skr -2,124 million (year-end 2017: Skr - million). The transfers were due to improved classification.

Financial assets reported at fair value in fair value hierarchy

	December 31, 2017							
	Financial assets at fair value through profit or loss				Available-for-sale			
Skr mn	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Treasuries/governments bonds	-	-	-	-	4,382	-	-	4,382
Other interest-bearing securities except loans	-	113	-	113	-	39,694	-	39,694
Derivatives	-	5,829	1,974	7,803	-	-	-	-
Total financial assets in fair value hierarchy	**-**	**5,942**	**1,974**	**7,916**	**4,382**	**39,694**	**-**	**44,076**

Financial liabilities reported at fair value in fair value hierarchy

	December 31, 2017			
	Financial liabilities at fair value through profit or loss			
Skr mn	Level 1	Level 2	Level 3	Total
Debt securities issued	-	20,426	42,995	63,421
Derivatives	-	13,660	2,820	16,480
Total financial liabilities in fair value hierarchy	**-**	**34,086**	**45,815**	**79,901**

There were no transfers made between levels during 2017.

Financial assets and liabilities at fair value in Level 3, December 31, 2018

Skr mn	Jan 1, 2018	Purchases	Settle-ments & sales	Transfers to Level 3	Transfers from Level 3	Gains (+) and losses (−) through profit or loss[1]	Gains (+) and losses (−) through other com-prehensive income	Cur. exchange-rate effects	Dec 31, 2018
Debt securities issued	-42,995	-13,199	9,490	-2,486	425	4,091	250	-3,474	-47,898
Derivatives, net	-846	3	-43	-57	-6	-3,913	-	275	-4,587
Net assets and liabilities	**-43,841**	**-13,196**	**9,447**	**-2 ,543**	**419**	**178**	**250**	**-3,199**	**-52,485**

Financial assets and liabilities at fair value in Level 3, December 31, 2017

Skr mn	Jan 1, 2017	Purchases	Settlements & sales	Transfers to Level 3	Transfers from Level 3	Gains (+) and losses (−) through profit or loss[1]	Cur. exchange-rate effects	Dec 31, 2017
Other interest-bearing securities except loans	257	-	-250	-	-	-6	-1	-
Debt securities issued	-48,217	-19,077	24,627	-	-	1,044	-1,372	-42,995
Derivatives, net	-2,404	3	-4,342	-	-	-1,202	7,099	-846
Net assets and liabilities	**-50,364**	**-19,074**	**20,035**	**-**	**-**	**-164**	**5,726**	**-43,841**

1 Gains and losses through profit or loss, including the impact of exchange-rates, are reported as net interest income and net results of financial transactions. The unrealized fair value changes for assets and liabilities, including the impact of exchange-rates, held as of December 31, 2018, amounted to a Skr 157 million gain (year-end 2017: Skr 768 million loss) and are reported as net results of financial transaction

Uncertainty of valuation of Level 3-instruments

As the estimation of the parameters included in the models to calculate the market value of Level 3-instruments is associated with subjectivity and uncertainty, SEK has, in accordance with IFRS 13, conducted an analysis of the difference in fair value of Level 3-instruments using other established parameter values. Option models and discounted cash flows are used to value the Level 3-instruments. For Level 3-instruments with a longer duration where extrapolated discount curves are used, a sensitivity analysis has been conducted with regards to the interest. The revaluation of the portfolio is made using an interest rate shift of +/– 10 basis points. For the Level 3-instruments that are significantly affected by different types of correlations, which are not based on observable market data, a revaluation has been made by shifting the correlations. The basis for this sensitivity analysis is therefore the revaluation of the relevant part of the portfolio, where the correlations have been adjusted by +/– 10 percentage points. After the revaluation is performed, the max/min value for each transaction is identified. For Level 3-instruments that are significantly affected by non-observable market data, such as SEK's own creditworthiness, a revaluation has been made by shifting the credit curve. The revaluation is made by shifting the credit spreads by +/- 10 basis points, which has been assessed as a reasonable change of SEK's credit spread. The analysis shows the impact of the non-observable market data on the market value. In addition, the market value will be affected by observable market data.

The result of the analysis corresponds with SEK's business model where issued securities are linked with a matched hedging derivative. The underlying market data is used to evaluate the issued security as well as to evaluate the fair value of the derivative. This means that a change in fair value of the issued security, excluding SEK's own credit spread, is offset by an equally large change in the fair value of the derivative.

Sensitivity analysis – level 3

Assets and liabilities	December 31, 2018					
Skr mn	Fair Value	Unobservable input	Range of estimates for unobservable input [1]	Valuation method	Sensitivity Max	Sensitivity Min
Equity	-2,417	Correlation	0.70 - 0.07	Option Model	6	-6
Interest rate	972	Correlation	0.21 - (0.12)	Option Model	-95	90
FX	-2,971	Correlation	0.84 - (0.94)	Option Model	22	-19
Other	-171	Correlation	0.53 - (0.01)	Option Model	1	-1
Sum derivatives, net	**-4,587**				**-66**	**64**
Equity	-680	Correlation	0.70 - 0.07	Option Model	-7	6
		Credit spreads	10BP - (10BP)	Discounted cash flow	28	-28
Interest rate	-47,090	Correlation	0.21 - (0.12)	Option Model	97	-94
		Credit spreads	10BP - (10BP)	Discounted cash flow	116	-113
FX	-32	Correlation	0.84 - (0.94)	Option Model	-23	20
		Credit spreads	10BP - (10BP)	Discounted cash flow	95	-96
Other	-96	Correlation	0.53 - (0.01)	Option Model	-1	1
		Credit spreads	10BP - (10BP)	Discounted cash flow	3	-3
Sum debt securities issued	**-47,898**				**308**	**-307**
Total effect on total comprehensive income[2]					**242**	**-243**

Sensitivity analysis – level 3

Assets and liabilities			December 31, 2017			
Skr mn	Fair Value	Unobservable input	Range of estimates for unobservable input [1]	Valuation method	Sensitivity Max	Sensitivity Min
Equity	-171	Correlation	0.78 - (0.02)	Option Model	1	-1
Interest rate	1,001	Correlation	0.19 - (0.37)	Option Model	-192	178
FX	-1,512	Correlation	0.89 - (0.81)	Option Model	24	-22
Other	-164	Correlation	0.63 - (0.05)	Option Model	0	0
Sum derivatives, net	**-846**				**-167**	**155**
Equity	-680	Correlation	0.78 - (0.02)	Option Model	-1	1
		Credit spreads	10BP - (10BP)	Discounted cash flow	11	-11
Interest rate	-42,168	Correlation	0.19 - (0.37)	Option Model	195	-181
		Credit spreads	10BP - (10BP)	Discounted cash flow	106	-103
FX	-34	Correlation	0.89 - (0.81)	Option Model	-25	23
		Credit spreads	10BP - (10BP)	Discounted cash flow	92	-92
Other	-113	Correlation	0.63 - (0.05)	Option Model	0	0
		Credit spreads	10BP - (10BP)	Discounted cash flow	3	-3
Sum debt securities issued	**-42,995**				**381**	**-366**
Total effect on total comprehensive income[2]					**214**	**-211**

1 Represents the range of correlations that SEK has determined market participants would use when pricing the instruments. The structures are represented both in the security and the derivative hedging the bond. The sensitivity analysis is based on a shift in the interval for correlation between 0.1 and -0.1. The correlation is expressed as a value between 1 and -1, where 0 indicates no relationship, 1 indicates maximum positive relationship and -1 indicates maximum negative relationship. The maximum correlation in the range of unobservable inputs can thus be from 1 to -1. The table presents the scenario analysis of the effect on Level 3-instruments, with maximum positive and negative changes.
2 Of the total impact on total comprehensive income, the sensitivity effect of SEK's own credit spread was Skr 242 million (year-end 2017: Skr 211 million) under a maximum scenario and Skr -240 million (year-end 2017: Skr -208 million) under a minimum scenario.

Fair value related to credit risk

	Fair value originating from credit risk (– liabilities increase/ + liabilities decrease)		The period's change in fair value origination from credit risk (+ income/ – loss)	
Skr mn	**December 31, 2018**	**December 31, 2017**	**2018**	**2017**
CVA/DVA, net[1]	-29	-8	-21	6
OCA[2]	-150	-578	374	-195

1 Credit value adjustment (CVA) and Debt value adjustment (DVA) reflects how the counterparties' credit risk as well as SEK's own credit rating affects the fair value of derivatives.
2 Own credit adjustment (OCA) reflects how the changes in SEK's credit rating affects the fair value of financial liabilities measured at fair value through profit and loss.

Note 14. Derivatives and hedge accounting

Derivatives by categories

	December 31, 2018			December 31, 2017		
Skr mn	Assets Fair value	Liabilities Fair value	Nominal amounts	Assets Fair value	Liabilities Fair value	Nominal amounts
Interest rate-related contracts	3,842	10,207	280,808	3,781	9,132	245,788
Currency-related contracts	2,630	8,799	162,870	3,772	6,879	139,614
Equity-related contracts	57	2,755	16,014	250	303	13,246
Contracts related to commodities, credit risk, etc.	–	173	-1,920	–	166	-1,183
Total derivatives	**6,529**	**21,934**	**457,772**	**7,803**	**16,480**	**397,465**

of which derivatives used for economic hedges, accounted for as held-for-trading under IFRS 9 (2017: IAS39) Skr mn	December 31, 2018			December 31, 2017		
	Assets Fair value	**Liabilities Fair value**	**Nominal amounts**	**Assets Fair value**	**Liabilities Fair value**	**Nominal amounts**
Interest rate-related contracts	2,767	7,479	129,470	2,603	6,358	119,239
Currency-related contracts	1,728	5,177	132,611	1,501	4,003	92,133
Equity-related contracts	57	2,755	16,014	250	303	13,246
Contracts related to commodities, credit risk, etc.	–	173	-1,920	–	166	-1,183
Total derivatives	**4,552**	**15,584**	**276,175**	**4,354**	**10,830**	**223,435**

of which derivatives in fair-value hedges Skr mn	December 31, 2018			December 31, 2017		
	Assets Fair value	**Liabilities Fair value**	**Nominal amounts**	**Assets Fair value**	**Liabilities Fair value**	**Nominal amounts**
Interest rate-related contracts	1,075	2,728	151,338	1,178	2,774	126,549
Currency-related contracts	902	3,622	30,260	2,271	2,876	47,481
Total derivatives	**1,977**	**6,350**	**181,598**	**3,449**	**5,650**	**174,030**

Maturity analysis of the nominal amounts[1] of hedging instruments

	December 31, 2018				
Skr mn	**< 1 month**	**1 month < 3 months**	**3 months < 1 year**	**1 year < 5 years**	**> 5 years**
Interest rate-related contracts					
Hedge of fixed rate assets	40	40	220	6,769	6,234
Hedge of fixed rate liabilities	10	8,967	34,248	100,167	3,798
Currency-related contracts					
Hedge of fixed rate assets	3	12	545	2,195	191
Hedge of fixed rate liabilities	–	3,317	3,672	13,936	5,990

1 Nominal amounts before off-set.

Derivatives used as fair value hedge

	December 31, 2018				
Skr mn	**< 1 month**	**1 month < 3 months**	**3 months < 1 year**	**1 year < 5 years**	**> 5 years**
Cash inflows (assets)	261	518	1,138	2,311	1,858
Cash outflows (liabilities)	-99	-1,064	-1,095	-4,721	-343
Net cash inflow	**162**	**-546**	**43**	**-2,410**	**1,515**

Derivatives used as fair value hedge

	December 31, 2017				
Skr mn	**< 1 month**	**1 month < 3 months**	**3 months < 1 year**	**1 year < 5 years**	**> 5 years**
Cash inflows (assets)	47	238	700	3,428	459
Cash outflows (liabilities)	8	56	-977	-1,526	-869
Net cash inflow	**55**	**294**	**-277**	**1,902**	**-410**

The carrying amount of hedged items in fair value hedge relationships, and the accumulated amount of fair value hedge adjustments included in these carrying amounts.

Assets Skr mn	December 31, 2018	
	Book value	**Fair value hedge adjustments**
Loans in the form of interest-bearing securities	4,244	499
Loans to credit institutions	206	3
Loans to the public	12,904	648
Total	**17,354**	**1,150**

Liabilities Skr mn	December 31, 2018	
	Book value	**Fair value hedge adjustments**
Debt securities issued	163,172	1,000
Subordinated liabilities	–	–
Total	**163,172**	**1,000**

Cash-flow hedges reclassified to profit or loss during the year

Skr mn	2018	2017
Interest income	25	91
Interest expense	–	–
Total[1]	**25**	**91**

1 Relates to previously terminated cash flow hedges where comprehensive income is allocated over the previously hedged item's remaining maturity.

It is SEK's risk management strategy and objective to identify its material foreign currency and interest rate exposures and to manage those exposures with appropriate derivative instruments or non-derivative alternatives. SEK has the intention to, as much as possible, achieve fair value hedge accounting for transactions entered into for economic hedging purposes.

SEK primarily sets interest rate terms based on the various needs and preferences of customers and counterparties. Consequently, assets and liabilities can to some extent have different fixed interest periods, which leads to interest rate risk. Using different derivatives, the original interest rate risk in assets and liabilities are normally transformed from fixed to floating interest terms in currencies with well functioning markets. EUR, USD and Skr are preferably used. It is SEK's objective to mitigate the risk of changes in fair value of the underlying hedged item due to changes in benchmark interest rates, i.e. to convert a fixed interest rate in a financial asset or liability into a floating rate. For that SEK uses interest rate swaps, or a proportion of interest rate swaps, swapping fixed to floating interest rates.

SEK's granting of credits and a large portion of its borrowing can take place in the currency of the borrower's and investor's choice. It is therefore seldom that borrowing and lending are made in the same currency and therefore directly balance each other. Differences in exposures to individual currencies that exist between different transactions are fully matched with the aid of various derivatives, primarily currency swaps. It is SEK's objective to mitigate the risk of changes in fair value due to changes in FX- and interest rates. For example, converting a fixed interest rate in a financial asset or liability into a variable rate financial asset or liability denominated in SEK's functional currency Skr. For that, SEK uses cross currency interest rate swap or a proportion of these swaps, swapping fixed to floating interest rates in Skr.

For more disclosures regarding SEK's hedge accounting, see the section Risk and Capital Management, Consolidated Statement of Changes in Equity, Note 1 Significant accounting policies, and Note 4 Net results of financial transactions.

In accordance with SEK's policies with regard to counterparty, interest rate, currency exchange-rate, and other exposures, SEK uses, and is a party to, differ-ent kinds of derivative instruments, mostly various interest rate-related and currency exchange-rate-related contracts. These contracts are carried at fair value in the statements of financial position on a contract-by-contract basis.

SEK uses derivatives to hedge risk exposure inherent in financial assets and liabilities. Derivatives are measured at fair value by using market quoted rates where available. If market quotes are not available, valuation models are used. SEK uses models to adjust the net exposure fair value for changes in counter-parties' credit quality. The models used include both directly observable and non-observable market parameters.

The majority of SEK's derivative contracts are what are known as OTC (over the counter) derivatives, i.e. derivative contracts that are not transacted on an exchange. SEK's derivative transactions that are not transacted on an exchange are entered into under ISDA Master Netting Agreements. In general, under such agreements the amounts owed by each counterparty in respect of all transactions outstanding in the same currency under the agreement are aggregated into a single net amount payable by one party to the other. In certain circumstances, for example when a credit event such as a default occurs and all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions. SEK endeavors to only enter into derivatives transactions with counterparties in jurisdictions where such netting is enforceable when such events occur.

The above ISDA arrangements do not meet the criteria for offsetting in the Statement of Financial Position. This is because such agreements create a right of set-off of recognized amounts that is enforceable only following an event of default, insolvency or bankruptcy of SEK or the counterparties. In addition, SEK and its counterparties do not intend to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

The ISDA Master Netting Agreements are complemented by supplementary agreements providing for the collateralization of counterparty exposure. SEK receives and accepts collateral in the form of cash. Such collateral is subject to the standard industry terms of an ISDA Credit Support Annex (CSA).

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement that cover similar financial instruments. SEK only enters into derivative transactions that are subject to enforceable master netting agreements or similar agreements. Derivative assets and derivative liabilities in relation to central clearing counterparties are offset in the Statement of Financial Position.

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

	Dec 31, 2018	Dec 31, 2017
Skr mn	**Derivatives**	**Derivatives**
Gross amounts of recognized financial assets	7,200	7,803
Amounts offset in the Statement of Financial Position	-671	–
Net amounts of financial assets presented in the Statement of Financial Position	**6,529**	**7,803**
Amounts subject to an enforceable master netting arrangement or similar agreement not offset in the Statement of Financial Position related to:		
Financial instruments	-4,324	-5,713
Cash collateral received	-1,805	-1,784
Net amount	**400**	**306**

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

	Dec 31, 2018	Dec 31, 2017
Skr mn	**Derivatives**	**Derivatives**
Gross amounts of recognized financial liabilities	22,648	16,480
Amounts offset in the Statement of Financial Position	-714	–
Net amounts of financial liabilities presented in the Statement of Financial Position	**21,934**	**16,480**
Amounts subject to an enforceable master netting arrangement or similar agreement not offset in the Statement of Financial Position related to:		
Financial instruments	-4,324	-5,713
Cash collateral paid	-15,537	-9,031
Net amount	**2,073**	**1,736**

Note 15. Shares

Venantius AB, domiciled in Stockholm, Sweden and wholly owned by AB Svensk Exportkredit, was wound down in April 2018. The wind down resulted in a loss amounting to Skr 2 million. The Parent Company in 2017 gave a contribution to Venantius AB. The net profit for Venantius AB for the year 2017 amounted to Skr 10 million. Dividend to Parent Company amounted 2017 to Skr 1 million

Since March 2018 SEKETT AB is a wholly owned, non-active, subsidiary to AB Svensk Exportkredit with a share capital of Skr 50 thousand.

Shares in subsidaries	December 31, 2018		December 31, 2017	
Skr mn	**Book value**	**Number of shares**	**Book value**	**Number of shares**
Venantius AB (reg.no 556449-5116)	-	-	24	5,000 500
SEKETT AB (reg.no 559132-9668)	0	50	-	-

Note 16. Other assets

Skr mn	Dec 31, 2018	Dec 31, 2017
Claim against the State for CIRR loans and concessionary loans	3,915	3,309
Cash receivables, funding operations	960	198
Other	105	49
Total	**4,980**	**3,556**

Note 17. Prepaid expenses and accrued revenues

Skr mn	Dec 31, 2018	Dec 31, 2017
Interest income accrued	2,643	2,075
Prepaid expenses and other accrued revenues	14	16
Total	**2,657**	**2,091**

Note 18. Debt

	December 31, 2018		
Skr mn	**Total debt excluding debt securities issued**	**Total debt securities issued**	**Total**
Exchange-rate related contracts	-	2,097	2,097
Interest rate related contracts	2,247	252,624	254,871
Equity related contracts	-	783	783
Contracts related to raw materials, credit risk etc	-	96	96
Total debt outstanding	**2,247**	**255,600**	**257,847**
of which denominated in:			
Skr			*2,098*
USD			*166,827*
JPY			*34,929*
EUR			*21,188*
Other currencies			*32,805*

	December 31, 2017		
Skr mn	**Total debt excluding debt securities issued**	**Total debt securities issued**	**Total**
Exchange-rate related contracts	-	33,016	33,016
Interest rate related contracts	2,317	188,607	190,924
Equity related contracts	-	779	779
Contracts related to raw materials, credit risk etc	-	114	114
Total debt outstanding	**2,317**	**222,516**	**224,833**
of which denominated in:			
Skr			*1,116*
USD			*119,112*
JPY			*32,988*
EUR			*29,191*
Other currencies			*42,426*

SEK has the following major Borrowing programs in place:

	Value outstanding[1]	
Skr mn	December 31, 2018	December 31, 2017
Medium-term note program:		
Unlimited Euro Medium-Term Note Programme	99,710	98,189
Unlimited SEC-registered U.S. Medium-Term Note Programme	143,109	111,444
Unlimited Swedish Medium-Term Note Programme	261	256
Unlimited MTN/STN AUD Debt Issuance Programme	3,875	3,607
Commercial paper program:		
USD 3,000,000,000 U.S. Commercial Paper Programme	4,723	1,637
USD 4,000,000,000 Euro-Commercial Paper Programme	1,961	-

1 Amortized cost excluding fair value adjustments.

Liabilities in financing activities

	December 31, 2017	Cash flow	Non-cash items		December 31, 2018
Skr mn			Exchange-rate difference	Unrealized changes in fair value	
Senior debt	224,833	25,102	15,997	-8,085	257,847
Subordinated debt	2,040	-2,322	220	62	-
Derivatives - net	8,677	1,830	-3,173	8,039	15,373
Total liabilities in financing activities	**235,550**	**24,610**	**13,044**	**16**	**273,220**

Note 19. Other liabilities

Skr mn	Dec 31, 2018	Dec 31, 2017
Cash payables, debt purchases	682	668
Other	387	158
Total	**1,069**	**826**

Note 20. Accrued expenses and prepaid revenues

Skr mn	Dec 31, 2018	Dec 31, 2017
Interest expenses accrued	2,542	2,023
Other accrued expenses and prepaid revenues	41	40
Total	**2,583**	**2,063**

Note 21. Provisions

	Consolidated Group		Parent Company	
Skr mn	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Pension liabilities (see Note 5)	80	40	10	11
Long term employee benefit	3	4	3	4
Off balance, expected credit losses[1]	2	-	2	-
Termination reserve	-	1	-	0
Total	**85**	**45**	**15**	**15**

1 Provisions for expected credit losses are on the off-balance-sheet, in accordance with IFRS 9. See Note 9.

Note 22. Subordinated liabilities

Skr mn	December 31, 2018	December 31, 2017
Fixed Rate Resettable Dated Subordinated Instruments[1]	-	2,040
Total subordinated liabilities outstanding	**-**	**2,040**
of which denominated in:		
Swedish kronor	-	-
Foreign currencies	-	*2,040*

	2018	2017
Total interest expense	54	61
of which accrued interest[2]	-	*8*

1 SEK´s fixed rate resettable dated subordinated debt totaling USD 250 million was redeemed on the "optional redemption date" November 14, 2018 in accordance with the loan terms and under specific consent to do so from the Swedish Financial Supervisory Authority.
2 The accrued interest is attributable to subordinated borrowing and is included in "Accrued expenses and prepaid revenues".

Subordinated debt means debt for which, in the event of the obligor being declared bankrupt, the holder would be repaid after other creditors, but before shareholders.

Note 23. Equity

	Consolidated Group		Parent Company	
Skr mn	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Share capital	3,990	3,990	3,990	3,990
Legal reserve	-	-	198	198
Fund for internally developed software	-	-	22	28
Reserves/Fair value reserve				
Hedge reserve	6	25	6	26
Fair value reserve	-	9	-	9
Own credit risk	-117	-	-	-
Defined benefit plans	-42	-4	-	-
Retained earnings	14,402	13,554	13,048	11,442
Total equity	**18,239**	**17,574**	**17,264**	**15,693**

The total number of shares is 3,990,000 with a quota value of Skr 1,000.

The hedge reserve comprises the cumulative effective portion of hedging derivatives in connection with cash-flow hedges and is reported in other comprehensive income. The hedge reserve is reported net after tax.

Own credit risk consists of gains and losses that arise from changes in SEK´s own credit risk on liabilities designated at fair value. These are recognized in Other comprehensive income under the reserve for own credit risk and are not reclassified to profit or loss in the financial statements of the Group. In the financial statement for the Parent Company, these gains and losses continue to be recognized under Net results of financial transactions.

Fund for internally developed software represents expenses that are directly attributable to large investments in the development of IT systems.

The entire equity is attributable to the shareholder of the Parent Company.

	Consolidated Group		Parent Company	
Skr mn	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Restricted equity	5,240	6,122	4,210	4,216
Unrestricted equity	12,999	11,452	13,054	11,477
Total equity	**18,239**	**17,574**	**17,264**	**15,693**

The Legal reserve reported in the Parent Company represents previous demands for statutory provision to non-distributable capital. The requirement was abolished January 1, 2006, and prior provisions remain.

For information on the objectives, policies and processes for managing capital, see the Report of the directors and the section on Risk and Capital Management.

Proposal for the distribution of profits

The results of the Consolidated Group's and the Parent Company's operations during the year and its financial position at December 31, 2018, can be seen in the Statement of Comprehensive Income, Statement of Financial Position and Statement of Cash Flows for the Consolidated Group as well as the income statement, balance sheet and statement of cash flows for the Parent Company and related Notes. The Board has decided to propose to the Annual General Meeting the payment of a dividend of Skr 194 million (2017: Skr 232 million), in accordance with the company's dividend policy. The following proposal regarding distribution of profits relates to the Parent Company.

At the disposal of the Annual General Meeting	13,054
The Board of Directors proposes that the Annual General Meeting dispose of these funds as follows:	
– dividend to the shareholder of Skr 48.70 per share, amounting to	194
– remaining disposable funds to be carried forward	12,860

Note 24. Pledged assets and contingent liabilities

Skr mn	Dec 31, 2018	Dec 31, 2017
Collateral provided		
Cash collateral under the security agreements for derivative contracts	16,374	10,314
Contingent liabilities		
Guarantee commitments	4,032	3,360
Commitments		
Committed undisbursed loans	50,814	72,914
Binding offers	744	1,211

Note 25. CIRR-system

Pursuant to the Company's assignment as stated in its owner instruction issued by the Swedish government, SEK administers credit granting in the Swedish officially supported system for export credits (CIRR-system). SEK receives compensation from the Swedish government in the form of an administrative fee, which is calculated based on the principal amount outstanding.

All assets and liabilities related to the CIRR-system are included in the Consolidated Statement of Financial Position and in the Parent Company's balance sheet since SEK bears the credit risk for the lending and acts as the counterparty for lending and borrowing. Unrealized revaluation effects on derivatives related to the CIRR-system are recognized on a net basis under Note 16 Other Assets in the item Claim against the State for CIRR-loans and concessionary loans.

SEK has determined that the CIRR-system should be considered an assignment whereby SEK acts as an agent on behalf of the Swedish government, rather than being the principal in individual transactions. Accordingly, interest income, interest expense and other costs pertaining to CIRR-system assets and liabilities are not recognized in SEK's Statement of Comprehensive Income.

The administrative compensation received by SEK from the Swedish government is recognized as part of interest income in SEK's Statement of Comprehensive Income since the commission received in compensation is equivalent to interest. Any income for SEK that arises from its credit arranger role is recognized in SEK's Statement of Comprehensive Income under net interest income. Refer also to Note 1 (f).

The administrative fee paid by the state to SEK as compensation is recognized in the CIRR-system as administrative compensation to SEK. Arrangement fees to SEK are recognized together with other arrangement fees such as interest expenses. Refer to the following tables.

In addition to the CIRR-system, SEK administers the Swedish government's previous concessionary credit program according to the same principles as the CIRR-system. No new lending is being offered under the concessionary credit program. As of December 31, 2018, loans outstanding amounted to Skr 663 million (year-end 2017: Skr 754 million) and the government noted a negative result of Skr -42 million (2017: Skr -48 million). Administrative compensation to SEK amounted to Skr -2 million (2017: Skr -2 million).

Statement of comprehensive income for the CIRR-system

Skr mn	2018	2017
Interest income	1,624	1,343
Interest expenses	-1,480	-1,115
Net interest income	**144**	**228**
Interest compensation	20	26
Foreign exchange effects	9	-6
Profit before compensation to SEK	**173**	**248**
Administrative remuneration to SEK	-155	-123
Operating profit CIRR-system	**18**	**125**
Reimbursement to (-) / from (+) the State	-18	-125

Statement of financial position for the CIRR-system (included in SEK's Statement of Financial Position)

Skr mn	Dec 31, 2018	Dec 31, 2017
Cash and cash equivalents	–	10
Loans	69,922	49,124
Derivatives	502	522
Other assets	4,090	3,472
Prepaid expenses and accrued revenues	561	364
Total assets	**75,075**	**53,492**
Liabilities	70,144	49,252
Derivatives	4,408	3,789
Accrued expenses and prepaid revenues	523	451
Total liabilities and equity	**75,075**	**53,492**
Commitments		
Committed undisbursed loans	47,664	69,161
Binding offers	616	628

Note 26. Capital adequacy

Capital adequacy analysis

In 2018, the subsidiary Venantius AB has been liquidated, which means that capital requirements are calculated at the Parent Company level and no longer on a consolidated level. The capital situation comprises the Parent Company AB Svensk Exportkredit.

	Parent Company	
	December 31, 2018	**December 31, 2017**
Capital ratios excl. buffer requirements[1]		
Common Equity Tier 1 ratio	20.1%	20.6%
Tier 1 capital ratio	*20.1%*	*20.6%*
Total capital ratio[2]	*20.1%*	*23.0%*
Institution specific Common Equity Tier 1 capital requirement incl. buffers[3]	*8.5%*	*8.4%*
of which Common Equity Tier 1 capital requirement	*4.5%*	*4.5%*
of which capital conservation buffer	*2.5%*	*2.5%*
of which countercyclical buffer	*1.5%*	*1.4%*
of which systemic risk buffer	-	-
Common Equity Tier 1 capital available as a buffer[4]	*12.1%*	*14.6%*
Total capital ratio according to Basel I floor	*n.a.*	*21.9%*

1 Capital ratios excluding buffer requirements are the quotients of the relevant capital metric and the total Risk exposure amount. The minimum requirements, which were implemented in Sweden without a transitional period, are 4.5 percent, 6.0 percent and 8.0 percent for Common Equity Tier 1 capital, Tier 1 capital and total own funds, respectively. The minimum requirements apply in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council of June 26, 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (CRR).

2 The reduction in Total capital ratio in 2018 is mainly due to the fact that SEK has exercised its right to call the Tier 2 eligible subordinated debt instrument. See footnote in the table "Own funds - Adjusting items" below.

3 Expressed as a percentage of the total Risk exposure amount.

4 The Common Equity Tier 1 capital ratio as reported less its minimum requirement of 4.5 percent plus an additional 3.5 percent. The latter component consists of Common Equity Tier 1 capital used to meet the minimum requirement for total own funds of 8.0 percent, since SEK does not have any Additional Tier 1 other than Common Equity Tier 1 capital and nor any Tier 2 capital.

Own funds — adjusting items

	Parent Company	
Skr mn	December 31, 2018	December 31, 2017[5]
Share capital[1]	3,990	3,990
Retained earnings	11,239	12,782
Accumulated other comprehensive income and other reserves[2]	1,256	30
Independently reviewed profit net of any foreseeable charge or dividend	1,615	540
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**18,100**	**17,342**
Additional value adjustments due to prudent valuation	-496	-396
Intangible assets	-43	-66
Fair-value reserves related to gains or losses on cash-flow hedges	-6	-25
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	112	446
Negative amounts resulting from the calculation of expected loss amounts	-136	-65
Total regulatory adjustments to Common Equity Tier 1 capital	**-569**	**-106**
Total Common Equity Tier 1 capital	**17,531**	**17,236**
Additional Tier 1 capital	-	-
Total Tier 1 capital	**17,531**	**17,236**
Tier 2-eligible subordinated debt[3]	-	2,049
Credit risk adjustments[4]	-	-
Total Tier 2 capital	**-**	**2,049**
Total Own funds	**17,531**	**19,285**
Total Own funds according to Basel I floor	**n.a.**	**19,350**

1 For a detailed description of the instruments constituting share capital, see Note 23.
2 The equity-portions of untaxed reserves is included in the line "Accumulated other comprehensive income and other reserves".
3 In June 2018, SEK received permission from its competent authority (Swedish FSA) to call its Tier 2 eligible subordinated debt instrument in accordance with its terms. As a result of the permission from Swedish FSA, SEK was required to reduce the level of own funds by the outstanding principal amount of the instrument. The Board of Directors of SEK in September 2018 decided that SEK would exercise its right to call the instrument (see Note 22) and the instrument was redeemed on November 14, 2018.
4 The expected loss amount calculated under the IRB approach is a gross deduction from own funds. The gross deduction is decreased by impairment related to exposures for which expected loss is calculated. Excess amounts of such impairment will increase own funds. This increase is limited to 0.6 percent of SEK's risk exposure amount under the IRB approach related to exposures to central governments, corporates and financial institutions. As of December 31, 2018, the limitation rule had no effect, as in 2017.
5 Comparative figures are shown at the level of the Consolidated Group, since a consolidated level of the capital situation was in effect in 2017.

Minimum capital requirements exclusive of buffers

Parent Company	December 31, 2018			December 31, 2017		
Skr mn	EAD[1]	Risk exposure amount	Min. capital requirement	EAD[1]	Risk exposure amount	Min. capital requirement
Credit risk, standardized approach						
Central governments	–	–	–	–	–	–
Regional governments	–	–	–	–	–	–
Multilateral development banks	–	–	–	–	–	–
Corporates	1,701	1,701	136	1,316	1,316	105
Total credit risk, standardized approach	**1,701**	**1,701**	**136**	**1,316**	**1,316**	**105**
Credit risk, IRB approach						
Central governments	171,572	9,905	792	161,429	9,331	747
Financial institutions[2]	33,953	9,880	790	38,163	12,688	1,015
Corporates[3]	113,987	59,486	4,760	104,630	53,763	4,301
Non-credit-obligation assets	90	90	7	121	121	10
Total credit risk IRB approach	**319,602**	**79,361**	**6,349**	**304,343**	**75,903**	**6,073**
Credit valuation adjustment risk	n.a.	2,037	163	n.a.	1,989	159
Foreign exchange risk	n.a.	879	70	n.a.	1,326	106
Commodity risk	n.a.	10	1	n.a.	13	1
Operational risk	n.a.	3,066	245	n.a.	3,284	263
Total	**321,303**	**87,054**	**6,964**	**305,659**	**83,831**	**6,707**
Adjustment according to Basel I floor	n.a.	n.a.	n.a.	n.a.	4,503	360
Total incl. Basel I floor	**n.a.**	**n.a.**	**n.a.**	n.a.	**88,334**	**7,067**

1 Exposure at default (EAD) shows the size of the outstanding exposure at default.
2 Of which counterparty risk in derivative contracts: EAD 4,525 million (year-end 2017: Skr 4,131 million), Risk exposure amount of Skr 1,668 million (year-end 2017: Skr 1,574 million) and Capital requirement of Skr 133 million (year-end 2017: Skr 126 million)
3 Of which related to Specialized lending: EAD 3,400 million (year-end 2017: Skr 2,478 million), Risk exposure amount of Skr 2,157 million (year-end 2017: Skr 1,643 million) and Capital requirement of Skr 173 million (year-end 2017: Skr 131 million).

Credit risk by PD grade

The tables illustrate the exposure at default (EAD), the portion of the exposure that will be lost in the event of a default (LGD) and the probability of default or cancellation of payments by a counterparty (PD) for the exposure classes where PD is estimated internally. Average PD is calculated without consideration of PD floors. Average PD and LGD are weighted by EAD, the average risk weight is the quotient of risk exposure amount and EAD.

	December 31, 2018					December 31, 2017				
Skr mn	**AAA to AA− 0.003%–0.01%**	**A+ to A− 0.02–0.07%**	**BBB+ to BBB− 0.12–0.32%**	**BB+ to B− 0.54–6.80%**	**CCC to D 27.27–100%**	**AAA to AA− 0.003%–0.02%**	**A+ to A− 0.03–0.07%**	**BBB+ to BBB− 0.12–0.32%**	**BB+ to B− 0.53–6.47%**	**CCC to D 25.29–100%**
Central governments										
EAD	163,603	7,064	–	906	–	153,496	7,107	–	826	–
Average PD in %	0.004	0.04	–	1.5	–	0.004	0.04	–	0.9	–
Average LGD in %	45.0	45.0	–	45.0	–	45.0	45.0	–	45.0	–
Average risk weight in %	4.6	18.8	–	112.1	–	4.7	19.0	–	93.6	–

	December 31, 2018					December 31, 2017				
Skr mn	**AAA to AA− 0.01%–0.04%**	**A+ to A− 0.06–0.12%**	**BBB+ to BBB− 0.17–0.34%**	**BB+ to B− 0.54–8.40%**	**CCC to D 28.60–100%**	**AAA to AA− 0.01%–0.04%**	**A+ to A− 0.06–0.12%**	**BBB+ to BBB− 0.17–0.34%**	**BB+ to B− 0.54–8.40%**	**CCC to D 28.60–100%**
Financial institutions										
EAD	10,323	21,926	1,345	359	–	9,368	25,926	1,722	1,149	–
Average PD in %	0.04	0.08	0.23	1.31	–	0.04	0.08	0.23	0.84	–
Average LGD in %	43.8	44.2	45.0	45.0	–	41.6	44.3	45.0	45.0	–
Average risk weight in %	20.1	29.3	66.0	135.5	–	22.3	31.3	65.1	117.8	–
Corporates										
EAD	7,154	22,379	60,943	20,072	39	7,871	18,515	59,574	16,153	40
Average PD in %	0.03	0.10	0.25	0.79	63.11	0.03	0.10	0.25	0.81	65.59
Average LGD in %	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0
Average risk weight in %	18.6	33.0	51.5	85.5	136.2	18.5	33.6	51.3	85.6	127.1

Credit risks

For risk classification and quantification of credit risk, SEK uses an internal ratings-based (IRB) approach. The Swedish FSA has approved SEK's IRB approach. Specifically, SEK applies the foundation IRB approach. Under the foundation IRB approach, the company determines the PD within one year of each of its counterparties, while the remaining parameters are established in accordance with the CRR. Certain exposures are, by permission from the Swedish FSA, exempted from application of the IRB approach and, instead, the standardized approach is applied for calculating the capital requirement. For further information regarding these exposures see the Risk measurement section in Note 27. Counterparty risk exposure amounts in derivative contracts are calculated in accordance with the mark-to-market approach.

Credit valuation adjustment risk

A capital requirement for credit valuation adjustment risk is calculated for all OTC derivatives, except for credit derivatives used as credit-risk hedges and transactions with a qualifying central counterparty. SEK calculates this capital requirement using the standardized approach.

Foreign exchange risk

Foreign exchange risk is calculated with the standardized approach, whereas the scenario approach is used for calculating the gamma and volatility risks.

Commodity risk

Own funds requirements for commodity risk are calculated using the simplified approach under the standardized approach, and where the scenario approach is used for calculating the gamma and volatility risks.

Operational risk

The capital requirement for operational risk is calculated with the standardized approach, whereby the company's operations are divided into business areas as defined in the CRR. The capital requirement for each area is calculated by multiplying a factor, depending on the business area, by an income indicator. The factors applicable for SEK are 15 percent and 18 percent. The income indicators consist of the average operating income for the past three fiscal years for each business area.

Transitional rules

On January 1, 2018, capital requirements and reporting applicable to the Basel I floor ceased to apply. The Basel I floor constituted a minimum capital requirement introduced as a transitional rule in 2007 that was valid until 2017. The capital adequacy ratios reflect the full impact of IFRS 9 as no transitional rules for IFRS9 are utilized.

Capital buffer requirements

SEK is to meet capital buffer requirements with Common Equity Tier 1 capital. SEK has not been classified as a systemically important institution. Accordingly, the capital buffer requirements for systemically important institutions that entered into force on January 1, 2016 do not apply to SEK. There is no systemic risk buffer applicable for SEK that is active at the moment. A countercyclical capital buffer rate of 2.0 percent is applied to exposures located in Sweden as of March 19, 2017. In September 2018, the Swedish FSA (FI) decided to raise the countercyclical buffer rate from 2.0 to 2.5 per cent. The amendments will enter into force on September 19, 2019. At December 31, 2018, the capital requirement related to credit-risk exposures in Sweden was 70 percent (year-end 2017: 67 percent) of the total capital requirement regardless of location, this fraction is also the weight applied to the Swedish buffer rate when calculating SEK's countercyclical capital buffer. Buffer rates activated in other countries may impact SEK, but as most capital requirements from relevant credit exposures are related to Sweden, the potential effect is limited. At December 31, 2018, the contribution to SEK's countercyclical capital buffer from buffer rates in other countries was 0.08 percentage points (year-end 2017: 0.05 percentage points).

Leverage ratio

Skr mn	December 31, 2018	December 31, 2017
Exposure measure for the leverage ratio		
On-balance-sheet exposures	281,529	249,244
Off-balance-sheet exposures	33,159	42,168
Total exposure measure	**314,688**	**291,412**
Leverage ratio	**5.6%**	**5.9%**

The leverage ratio is a metric introduced in 2015. Currently, there is no minimum requirement. The leverage ratio is defined in the CRR as the quotient of the Tier 1 capital and an exposure measure. The exposure measure consists of assets, with special treatment of derivatives among other items, and off-balance-sheet credit-risk exposures that have been weighted with a factor depending on the type of exposure. The leverage ratio reflects the full impact of IFRS 9 as no transitional rules are utilized.

Internally assessed capital adequacy

Skr mn	December 31, 2018	December 31, 2017
Credit risk	7,008	6,898
Operational risk	239	142
Market risk	1,094	1,573
Other risks	163	170
Capital planning buffer	1,966	2,005
Total	**10,470**	**10,788**

SEK regularly conducts an internal capital adequacy assessment process (ICAAP), during which the company determines how much capital is needed to cover its risks. The result of SEK's capital adequacy assessment is presented above. For more information regarding the ICAAP and its methods, please see the Risk and capital management section.

Note 27. Risk information

Contents

For further information on SEK's risk management, see the Risk and capital management section, on pages 36–41.

Consolidation of SEK pursuant to the supervisory regulations does differ from the consolidation made in the Consolidated Financial Statements for 2018, as SEKETT AB is not a financial company and no consolidation of SEK pursuant to the supervisory regulation was made. Since no subsidiary is an institute pursuant to the CRR definition, subsidiaries are not subject to the supervisory regulations on an individual basis.

The table of credit quality as per category in the Statement of Financial Position and the table illustrating the link between the Statement of Financial Position categories and exposures under the CRR contain carrying amounts. Other tables show amounts in accordance with the capital requirements calculations, however before application of conversion factors.

Credit risk

Credit risk is defined as the risk of losses due to the failure of a credit or an arrangement similar to that of a credit to be fulfilled. Credit risk is divided into issuer risk, counterparty risk, concentration risk, settlement risk and country risk (including transfer risk).

SEK's credit risks are limited using a risk-based selection of counterparties and are further mitigated by the use of guarantees, netting agreements, collateral and other forms of collateral. SEK's appetite for credit risk is significantly greater than its appetite for other risks.

Risk management

The Risk policy and the Credit Policy

The Risk Policy and the Credit Policy issued by the Board, and the Credit Instruction issued by the Board's Credit Committee are the foundations upon which SEK's credit risk management is based. These policy documents constitute the framework for the level of credit risk that SEK can accept and describe the decision-making structure and credit-decision mandate as well as the credit norm. The underlying methodological working papers clarify the credit process, fundamental principles for credit limits and the management of problem loans.

The credit norm is a core concept for SEK's credit granting and clarifies expectations in terms of credit quality. For a business transaction to be considered to fall within the credit norm, it is necessary for the proposition to satisfy the requirements for all of the following areas:

1. Norm for risk level
2. Norm for lending terms
3. Norm for know your customer (KYC)
4. Norm for sustainability risk

The Board determines the risk strategy, including the credit strategy and risk appetite, and the overall limits within which the Company is to operate. All credit decisions are to be made in line with the decision-making mandate structure established by the Board for delegated decision-making. SEK's credit-decision structure and established mandates is built on a decision-making structure based on the duality principle, thus ensuring thorough analysis and assessment of all credit propositions.

Risk reduction

Credit risk is reduced through the use of various credit-risk hedges, in the form of guarantees, netting agreements and other forms of collateral.

The guarantors, particularly with regard to end-customer financing, are predominantly government export credit agencies in the OECD, of which the Swedish Export Credits Guarantee Board (EKN) is the largest. Since the credit risk is allocated to a guarantor, SEK's guaranteed credit-risk exposure in reports of its net credit risk exposure largely consists of exposure to government counterparties. Guarantees are also received from financial institutions and, to a lesser extent, non-financial corporations and insurance companies.

The counterparty risk associated with derivative contracts is always documented using ISDA Master Agreements, which also entail a netting agreement, with the support of collateral agreements in the form of a CSA. Approved collateral under the CSAs signed by SEK always takes the form of liquid assets.

SEK also uses various types of collateral to reduce credit risks pertaining to certain types of credit granting. While collateral is significant for individual transactions, it has limited impact on the total lending portfolio.

Limit setting

SEK utilizes limits to restrict credit risks to a specified level. Limits express the highest permissible exposure to a counterparty for specific tenors and for various types of exposures, such as corporate lending, guarantees, counterparty risk in derivative contracts or liquidity investments. Exposures must be encompassed within the limits that have been decided for the particular counterparties. The overall limits are set by the Board. All limits are reviewed at least once annually.

Testing provisions

Starting on January 1, 2018, SEK applies IFRS 9 for the impairment of financial instruments. Impairment is based on the model for expected credit losses (ECL). The assets being impairment tested are divided into three scenarios: scenario 1, scenario 2 and scenario 3. Initially, all exposures are in scenario 1. Exposures where there is a significant increase in credit risk are placed in scenario 2 and scenario 3 encompasses exposures in default. Scenario 3 impairments are calculated through individual testing based on an expert assessment. Individual testing provisions are made when objective conditions exist that indicate a possible need for the financial asset to be impaired according to scenario 3. The Credit Committee prepares provision proposals from the account managers and credit analysts, which are thereafter determined by the Board's Credit Committee. The Board adopts the accounts and thereby the provisions. Refer to Note 1 for more information on the calculation of expected credit losses under IFRS 9.

Risk measurement

With the exception of a few counterparties, SEK uses, and has permission to use, a foundation IRB approach for measuring the credit risk inherent in exposures to a majority of SEK's counterparties. This means that for these exposures SEK uses its own estimates of the probability of default (PD) risk parameter which, per counterparty, reflects the assigned internal risk rating. Other risk parameters, including loss given default (LGD) and credit conversion factors (CCF), are determined by the Capital Requirements Regulation (CRR). All of SEK's counterparties are assigned an internal risk rating.

SEK's permission from the Swedish FSA to use a foundation IRB approach encompasses exposures to central governments, regional governments, county councils, multilateral development banks, and companies, including insurance companies and financial institutions. The Swedish FSA has permitted SEK to apply exceptions from the IRB approach for certain exposures. For these exposures, SEK uses the standardized approach and external ratings when calculating risk exposure amounts (when no external rating is available, the exposure is assigned a risk weight of 100 percent).[1]

The exempted exposures, for which the standardized approach is used instead, are as follows:

- Exposures in the Customer Finance business area (exception valid as long as these exposures are of minor importance in terms of scope and risk profile)
- Guarantees for the benefit of small and medium-sized enterprises (exception valid as long as these exposures are of minor importance in terms of scope and risk profile)

Counterparty risk in derivative contracts

Counterparty risk in derivative contracts — which is a type of credit risk — arises when derivatives are used to manage risks. To limit this risk, SEK enters into such transactions solely with counterparties with strong credit ratings. Risk is further reduced by SEK's entering into ISDA Master Agreements (ISDAs), together with associated CSAs, with its counterparties before entering into derivative contracts. These bilateral CSAs mean that the maximum permissible risk levels for ISDA and CSA agreements are reviewed continuously to be able to renegotiate the terms as necessary. For counterparty exposures that exceed the threshold amounts under the relevant CSAs due to market value changes, settlement is demanded so that the counterparty exposure is reduced to the pre-agreed level. All interest derivative contracts are subject to central clearing according to the EU's regulation on OTC derivatives, central clearing counterparties and trade repositories (EMIR) since the end of 2016.

Risk monitoring

SEK's exposures are analyzed, reported and followed up regularly in respect of credit portfolio risk concentration and the credit quality of individual debtors. The analysis encompasses, among other things, (i) the size of individual commitments, (ii) domicile and (iii) sector. The analysis refers to both direct exposure and indirect exposure. The concentration risks mentioned above are reflected in SEK's calculation of economic capital for credit risks, which leads to a higher capital requirement compared with the minimum capital requirement. When calculating capital requirements, the minimum capital requirement does not take concentration risks into account. For the purpose of monitoring and checking large exposures, SEK has defined internal limits, which impose further limitations on the size of such exposures in addition to those stated in the CRR.

Exposures assessed as problem loans, meaning those for which SEK assesses that there is a high probability that the undertaking according to the original agreement will not be fulfilled, are analyzed in greater detail and more frequently. The term "problem loans" encompasses forborne exposures, non-performing receivables and non-performing exposures. The intention is to identify, at an early stage, credits with an elevated risk. This is to adapt the exposure, reduce credit losses and ensure that the risk rating reflects the actual risk associated with the particular counterparty.

The credit portfolio is subject to regular stress tests. The results of the scenario analyses and stress tests are reported to the Board or the Risk Committee on a regular basis. The Company's risk and product rating, and risk estimates, comprise a central feature of the reporting of credit risk to the Board, the Risk and Compliance Committee and the Credit Committee. The Chief Executive Officer and the Chief Risk Officer inform the Board of all significant changes concerning SEK's IRB system. SEK's IRB system is validated by Risk at least once annually.

[1] In the capital adequacy, those counterparties using external ratings are assigned an internal rating under IFRS 9.

Risk information, credit risk

The table below shows the maximum credit exposure. Nominal amounts are shown, apart from cash and cash equivalents and derivatives, which are recognized at the carrying amount.

	December 31, 2018 Maximum credit-risk exposure	
Skr mn	**Assets at fair value through profit or loss**	**Amortized costs**
Cash and cash equivalents	–	2,686
Treasuries/government bonds	11,124	–
Other interest-bearing securities except loans	48,577	–
Loans in the form of interest-bearing securities	–	36,303
Loans to credit institutions	–	12,543
Loans to the public	–	215,504
Derivatives	4,525	–
Total financial assets	**64,226**	**267,036**

	December 31, 2017 Maximum credit-risk exposure		
Skr mn	**Assets at fair value through profit or loss**	**Available-for-sale assets**	**Loans and accounts receivable**
Cash and cash equivalents	–	–	1,231
Treasuries/government bonds	–	4,376	–
Other interest-bearing securities except loans	133	39,592	–
Loans in the form of interest-bearing securities	–	–	40,558
Loans to credit institutions	–	–	23,209
Loans to the public	–	–	213,549
Derivatives	7,803	–	–
Total financial assets	**7,936**	**43,968**	**278,547**

Maximum credit-risk exposure for loans to credit institutions and loans to the public includes committed but undisbursed loans at year end, which are recognized in nominal amounts.

The table below shows the credit quality following risk mitigation (net) per row in the Statement of Financial Position. The figures pertain to carrying amounts. SEK uses guarantees, CDSs and insurance policies as credit-risk hedges; refer also to the Risk and capital management section.

	December 31, 2018					
Skr mn	**AAA**	**AA+ till A-**	**BBB+ till BBB-**	**BB+till B-**	**CCC till D**	**Carrying amount**
Cash and cash equivalents	634	1,782	–	–	–	2,416
Treasuries/government bonds	2,365	8,752	–	–	–	11,117
Other interest-bearing securities except loans	10,882	32,331	5,452	–	–	48,665
Loans in the form of interest-bearing securities	–	8,182	24,488	4,111	–	36,781
Loans to credit institutions	2,663	23,161	1,480	421	–	27,725
Loans to the public	84,766	25,878	32,971	17,430	49	161,094
Derivatives	–	5,322	1,207	–	–	6,529
Total financial assets	**101,310**	**105,408**	**65,598**	**21,962**	**49**	**294,327**
Committed undisbursed loans	*47,644*	*1,626*	*1,253*	*290*	*1*	*50,814*

	December 31, 2017					
Skr mn	**AAA**	**AA+ till A-**	**BBB+ till BBB-**	**BB+till B-**	**CCC till D**	**Carrying amount**
Cash and cash equivalents	1,133	98	–	–	–	1,231
Treasuries/government bonds	401	3,981	–	–	–	4,382
Other interest-bearing securities except loans	4,396	34,295	1,116	–	–	39,807
Loans in the form of interest-bearing securities	–	9,636	27,434	4,055	–	41,125
Loans to credit institutions	3,018	15,766	3,229	1,185	–	23,198
Loans to the public	70,043	25,670	32,168	13,164	66	141,111
Derivatives	–	6,324	1,479	–	–	7,803
Total financial assets	**78,991**	**95,770**	**65,426**	**18,404**	**66**	**258,657**
Committed undisbursed loans	*63,922*	*978*	*6,452*	*1,562*	–	*72,914*

The credit quality of financial assets is assessed using internal and external ratings.

The table below illustrates the link between the Statement of Financial Position categories and net exposures according to CRR.

	December 31, 2018							
Skr mdr	Carrying amount	Adjustment to carrying amount from exposure[1]	Central govern-ments	Regional govern-ments	Multilateral development banks	Public sector entity	Financial institutions	Corporates
Cash and cash equivalents	2.4	-0.2	0.3	–	–	–	2.3	–
Treasuries/government bonds	11.1	0.0	11.1	–	–	–	–	–
Other interest-bearing securi-ties except loans	48.7	-0.1	4.8	7.0	–	0.6	15.7	20.7
Loans in the form of interest-bearing securities	36.8	-0.1	–	–	–	–	0.7	36.2
Loans to credit institutions including cash and cash equivalents[1]	27.7	16.2	1.4	5.5	–	–	4.5	0.1
Loans to the public	161.1	-1.1	99.5	0.9	0.1	–	5.6	56.1
Derivatives	6.5	2.0	–	–	–	–	4.5	0.0
Other assets	5.0	0.9	4.1	–	–	–	–	–
Total financial assets	**299.3**	**17.6**	**121.2**	**13.4**	**0.1**	**0.6**	**33.3**	**113.1**
Contingent liabilities and commitments[2]	55.6	-0.1	48.4	–	–	0.0	0.9	6.4
Total	**354.9**	**17.5**	**169.6**	**13.4**	**0.1**	**0.6**	**34.2**	**119.5**

	December 31, 2017							
Skr mdr	Carrying amount	Adjustment to carrying amount from exposure[1]	Central govern-ments	Regional govern-ments	Multilateral development banks	Public sector entity	Financial institutions	Corporates
Cash and cash equivalents	1.2	0.0	0.5	–	–	–	0.7	–
Treasuries/government bonds	4.4	0.0	4.4	–	–	–	–	–
Other interest-bearing securi-ties except loans	39.8	-0.2	1.3	4.9	–	0.4	20.7	12.7
Loans in the form of interest-bearing securities	41.1	-0.2	–	–	–	–	2.1	39.2
Loans to credit institutions including cash and cash equivalents[1]	23.2	10.4	1.9	5.8	–	–	4.8	0.3
Loans to the public	141.1	-0.8	85.6	0.7	–	0.0	4.4	51.2
Derivatives	7.8	3.7	–	–	–	–	4.1	0.0
Other assets	3.6	0.1	3.5	–	–	–	–	–
Total financial assets	**262.2**	**13.0**	**97.2**	**11.4**	**–**	**0.4**	**36.8**	**103.4**
Contingent liabilities and commitments[2]	78.0	–	69.9	–	–	–	1.8	6.3
Total	**340.2**	**13.0**	**167.1**	**11.4**	**–**	**0.4**	**38.6**	**109.7**

1 Skr 16.4 billion (2017: Skr 10.3 billion) of the book value for Loans to credit institutions is cash collateral under the CSAs for derivative contracts.
2 Contingent liabilities and commitments, except cash collateral.

Derivative exposure after netting under current ISDA Master Agreements in accordance with the CRR's management of the counterparty risk in derivative contracts amounts to Skr 3.7 billion (2017: SEK 3.6 billion). For more information on the counterparty risk in derivative contracts under the CRR, refer to the Risk and capital management section.

Total credit exposures in the Group

Net exposures are recognized after taking the impact of guarantees and credit derivatives into account. Gross exposures are recognized without taking the impact of guarantees and credit derivatives into account. According to the internal risk follow-up, the amounts agree with the capital requirements calculations, although without the application of conversion factors. In tables showing the geographical breakdown of exposures, North America is shown excluding Central America.

Total net exposures

Skr mdr	Interest-bearing securities and lending				Committed undisbursed loans, derivatives, etc.				Total			
	December 31, 2018		December 31, 2017		December 31, 2018		December 31, 2017		December 31, 2018		December 31, 2017	
Exposure class	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Central governments	121.2	43.8	97.1	39.6	48.4	80.3	70.0	85.1	169.6	50.3	167.1	51.1
Regional governments	13.4	4.8	11.4	4.7	–	–	–	–	13.4	4.0	11.4	3.5
Multilateral development banks	0.1	0.0	0.0	0.0	0.0	0.0	–	–	0.1	0.0	0.0	0.0
Public sector entity	0.6	0.2	0.4	0.2			–	–	0.6	0.2	0.4	0.1
Financial institutions	28.7	10.4	32.7	13.3	5.5	9.1	5.9	7.2	34.2	10.1	38.6	11.8
Corporates	113.1	40.8	103.4	42.2	6.4	10.6	6.3	7.7	119.5	35.4	109.7	33.5
Total	**277.1**	**100.0**	**245.0**	**100.0**	**60.3**	**100.0**	**82.2**	**100.0**	**337.4**	**100.0**	**327.2**	**100.0**

Geographical breakdown of credit exposures by exposure class

Geographical breakdown of gross exposures by exposure class, per December 31, 2018

Skr mdr	**Middle East/ Africa/ Turkey**	**Asia excl. Japan**	**Japan**	**North America**	**Oceania**	**Latin America**	**Sweden**	**Western Europe excl. Sweden**	**Central and Eastern Europe**	**Total**
Central governments	2.8	5.3	4.0	1.9	–	43.7	7.1	8.6	–	73.4
Regional governments	1.7	–	–	–	–	–	7.0	0.1	–	8.8
Public sector entity	–	–	–	–	–	–	–	0.6	–	0.6
Financial institutions	–	2.4	0.5	6.2	1.1	0.4	12.3	9.8	0.3	33.0
Corporates	21.4	12.6	1.2	53.0	–	9.6	83.2	36.0	4.6	221.6
Total	**25.9**	**20.3**	**5.7**	**61.1**	**1.1**	**53.7**	**109.6**	**55.1**	**4.9**	**337.4**

Geographical breakdown of gross exposures by exposure class, per December 31, 2017

Skr mdr	**Middle East/ Africa/ Turkey**	**Asia excl. Japan**	**Japan**	**North America**	**Oceania**	**Latin America**	**Sweden**	**Western Europe excl. Sweden**	**Central and Eastern Europe**	**Total**
Central governments	1.8	5.6	4.0	–	–	42.7	7.4	0.2	–	61.7
Regional governments	0.6	–	–	–	–	–	4.8	0.1	–	5.5
Public sector entity	–	–	–	–	–	–	–	0.4	–	0.4
Financial institutions	–	3.1	0.0	9.1	1.1	1.2	11.3	10.8	0.3	36.9
Corporates	23.0	14.6	0.2	53.5	0.1	9.9	74.3	39.9	7.2	222.7
Total	25.4	23.3	4.2	62.6	1.2	53.8	97.8	51.4	7.5	327.2

Geographical breakdown of net exposures by exposure class, per December 31, 2018

Skr mdr	Middle East/ Africa/ Turkey	Asia excl. Japan	Japan	North America	Oceania	Latin America	Sweden	Western Europe excl. Sweden	Central and Eastern Europe	Total
Central governments	–	0.7	4.0	3.9	–	0.9	139.0	18.0	3.1	169.6
Regional governments	–	–	–	–	–	–	13.2	0.2	–	13.4
Multilateral development banks	–	–	–	–	–	–	–	0.1	–	0.1
Public sector entity	–	–	–	–	–	–	–	0.6	–	0.6
Financial institutions	–	2.4	0.9	6.9	1.1	0.3	8.7	13.6	0.3	34.2
Corporates	4.6	3.1	3.1	2.9	–	3.0	80.5	22.2	0.1	119.5
Total	**4.6**	**6.2**	**8.0**	**13.7**	**1.1**	**4.2**	**241.4**	**54.7**	**3.5**	**337.4**

Geographical breakdown of net exposures by exposure class, per December 31, 2017

Skr mdr	Middle East/ Africa/ Turkey	Asia excl. Japan	Japan	North America	Oceania	Latin America	Sweden	Western Europe excl. Sweden	Central and Eastern Europe	Total
Central governments	–	0.7	4.0	2.4	–	0.9	145.1	10.9	3.1	167.1
Regional governments	–	–	–	–	–	–	11.2	0.2	–	11.4
Multilateral development banks	–	–	–	–	–	–	–	0.0	–	0.0
Public sector entity	–	–	–	–	–	–	–	0.4	–	0.4
Financial institutions	–	3.0	0.5	9.6	1.2	1.1	6.9	16.0	0.3	38.6
Corporates	4.9	3.6	1.7	2.9	–	3.3	72.2	21.0	0.1	109.7
Total	**4.9**	**7.3**	**6.2**	**14.9**	**1.2**	**5.3**	**235.4**	**48.5**	**3.5**	**327.2**

Impact of credit-risk hedges by exposure class and hedge type

The table below shows, on the basis of gross exposure class, a breakdown based on whether or not the amounts are covered by credit-risk hedges in the form of guarantees or credit derivatives that are included in the capital adequacy calculations. Credit insurance issued by insurance companies is thus counted as guarantees. Hedged amounts have been divided in accordance with the hedge issuer's exposure class and type of hedge. Accordingly, the tables show the hedge types that convert gross exposures to net exposures.

Impact of credit-risk hedges, at December 31, 2018

	Gross exposures by exposure class						
Skr bn	Central government	Regional governments	Public Sector Entity	Financial institutions	Corporates	Total	*wherof subject to IFRS9*[1]
Amounts related to hedges issued by:							
Central governments	50.9	1.7	–	0.2	94.3	*147.1*	*147.1*
of which, guarantees issued by the EKN	*49.9*	*1.7*	–	*0.1*	*80.1*	*131.8*	*131.8*
of which, guarantees issued by other export credit agencies	*1.0*	–	–	*0.1*	*10.9*	*12.0*	*12.0*
of which, other guarantees	–	–	–	–	*3.3*	*3.3*	*3.3*
Regional governments	–	0.0	–	5.5	0.8	*6.3*	*6.3*
Multilateral development banks	–	–	–	–	0.1	*0.1*	*0.1*
Financial institutions	0.0	–	–	0.0	6.9	*6.9*	*6.9*
of which, credit default swaps	–	–	–	–	–	–	–
of which, guarantees	*0.0*	–	–	*0.0*	*6.9*	*6.9*	*6.9*
Corporates	–	–	–	–	2.7	*2.7*	*2.7*
of which, credit insurance from insurance companies	–	–	–	–	*1.8*	*1.8*	*1.8*
of which, other guarantees	–	–	–	–	*0.9*	*0.9*	*0.9*
Total hedged exposures	**50.9**	**1.7**	**–**	**5.7**	**104.8**	*163.1*	*163.1*
Unhedged exposures[2]	22.5	7.1	0.6	27.3	116.8	*174.3*	*105.3*
Total	**73.4**	**8.8**	**0.6**	**33.0**	**221.6**	*337.4*	*268.4*

1 Assets valued at accrued acquisition value, which are subject to the write-down requirements in IFRS 9.
2 Exposures whereby the hedge issuer belongs to the same group as the counterparty in the unhedged exposure have been reported as "Unhedged exposures." The amounts for these were Skr 25.8 billion for corporates and Skr 0.2 billion for central governments.

Impact of credit-risk hedges, at December 31, 2017

	Gross exposures by exposure class					
Skr bn	Central government	Regional governments	Public Sector Entity	Financial institutions	Corporates	Total
Amounts related to hedges issued by:						
Central governments	49.3	0.5	–	0.4	104.4	154.6
of which, guarantees issued by the EKN	*48.2*	*0.5*	–	*0.2*	*88.6*	*137.5*
of which, guarantees issued by other export credit agencies	*1.1*	–	–	*0.2*	*12.5*	*13.8*
of which, other guarantees	–	–	–	–	*3.3*	*3.3*
Regional governments	–	0.0	–	5.9	0.6	6.5
Financial institutions	0.0	–	–	0.0	8.0	8.0
of which, credit default swaps	–	–	–	–	*1.0*	*1.0*
of which, guarantees	*0.0*	–	–	*0.0*	*7.0*	*7.0*
Corporates	–	–	–	0.0	3.1	3.1
of which, credit insurance from insurance companies	–	–	–	–	*2.5*	*2.5*
of which, other guarantees	–	–	–	*0.0*	*0.6*	*0.6*
Total hedged exposures	**49.3**	**0.5**	**–**	**6.3**	**116.1**	**172.2**
Unhedged exposures[1]	12.4	5.0	0.4	30.6	106.6	155.0
Total	**61.7**	**5.5**	**0.4**	**36.9**	**222.7**	**327.2**

1 Exposures whereby the hedge issuer belongs to the same group as the counterparty in the unhedged exposure have been reported as "Unhedged exposures." The amounts for these were Skr 22.4 billion for corporates and Skr 0.2 billion for central governments.

Gross exposures Europe, excluding Sweden, breakdown by exposure class, at December 31, 2018

Skr bn	Central governments	Reginal governments	Public sector entity	Financial institutions	Corporates	Total
Spain	–	–	–	0.1	9.8	9.9
Norway	–	–	–	2.4	4.1	6.5
Finland	0.1	0.1	–	0.2	5.4	5.8
United Kingdom	–	–	–	2.6	2.6	5.2
Denmark	–	–	–	1.7	3.2	4.9
Austria	2.9	–	–	1.7	–	4.6
Italy	–	–	–	–	4.2	4.2
Germany	3.1	–	0.6	0.3	–	4.0
The Netherlands	1.7	–	–	0.1	1.6	3.4
Poland	–	–	–	–	3.1	3.1
France	–	–	–	0.6	2.1	2.7
Luxembourg	0.8	–	–	–	1.2	2.0
Russian Federation	–	–	–	–	1.4	1.4
Switzerland	–	–	–	0.1	0.8	0.9
Belgium	–	–	–	0.0	0.6	0.6
Ireland	–	–	–	–	0.4	0.4
Latvia	–	–	–	0.2	–	0.2
Iceland	–	–	–	–	0.2	0.2
Portugal	–	–	–	–	0.1	0.1
Estonia	–	–	–	0.0	–	0.0
Ukraine	–	–	–	–	0.0	0.0
Hungary	–	–	–	–	0.0	0.0
Greece	–	–	–	–	0.0	0.0
Total	**8.6**	**0.1**	**0.6**	**10.0**	**40.8**	**60.1**

Gross exposures Europe, excluding Sweden, breakdown by exposure class, at December 31, 2017

Skr bn	Central governments	Regional governments	Public sector entity	Financial institutions	Corporates	Total
Spain	–	–	–	0.1	12.4	12.5
Finland	0.2	0.1	–	–	7.1	7.4
Norway	–	–	–	3.3	2.5	5.8
United Kingdom	–	–	–	2.2	3.1	5.3
The Netherlands	–	–	–	2.2	2.1	4.3
Italy	–	–	–	–	4.2	4.2
France	–	–	–	1.6	2.5	4.1
Russia	–	–	–	–	4.0	4.0
Denmark	–	–	–	1.1	2.8	3.9
Poland	–	–	–	–	3.1	3.1
Luxembourg	–	–	–	0.0	1.2	1.2
Switzerland	–	–	–	–	0.9	0.9
Germany	–	–	0.4	0.3	–	0.7
Iceland	–	–	–	–	0.5	0.5
Ireland	–	–	–	–	0.4	0.4
Belgium	–	–	–	0.0	0.3	0.3
Latvia	–	–	–	0.2	–	0.2
Estonia	–	–	–	0.1	–	0.1
Greece	–	–	–	–	0.0	0.0
Hungary	–	–	–	–	0.0	0.0
Ukraine	–	–	–	–	0.0	0.0
Total	**0.2**	**0.1**	**0.4**	**11.1**	**47.1**	**58.9**

Net exposures Europe, excluding Sweden, breakdown by exposure class, at December 31, 2018

Skr bn	Central governments	Regional governments	Multilateral development banks	Public sector entity	Financial institution	Corporates	Total
France	7.3	–	–	–	1.7	0.0	9.0
Germany	3.9	–	–	0.6	1.4	1.6	7.5
United Kingdom	0.3	–	–	–	1.6	4.9	6.8
Norway	0.4	–	–	–	2.4	4.0	6.8
Denmark	0.2	–	–	–	2.4	3.2	5.8
Finland	0.4	0.2	–	–	0.3	4.6	5.5
Austria	2.9	–	–	–	1.7	–	4.6
Poland	3.1	–	–	–	–	0.0	3.1
The Netherlands	1.7	–	–	–	0.4	0.7	2.8
Luxembourg	0.8	–	0.1	–	–	1.0	1.9
Spain	–	–	–	–	0.9	0.5	1.4
Belgium	–	–	–	–	0.6	0.5	1.1
Switzerland	–	–	–	–	0.3	0.5	0.8
Ireland	–	–	–	–	–	0.4	0.4
Latvia	–	–	–	–	0.2	–	0.2
Italy	–	–	–	–	–	0.2	0.2
Iceland	–	–	–	–	–	0.2	0.2
Portugal	–	–	–	–	–	0.1	0.1
Estonia	–	–	–	–	0.0	–	0.0
Hungary	–	–	–	–	–	0.0	0.0
Russian Federation	–	–	–	–	–	0.0	0.0
Total	**21.0**	**0.2**	**0.1**	**0.6**	**13.9**	**22.4**	**58.2**

Net exposures Europe, excluding Sweden, breakdown by exposure class, at December 31, 2017

Skr bn	Central governments	Regional governments	Multilateral development banks	Public sector entity	Financial institution	Corporates	Total
France	7.8	–	–	–	2.5	0.0	10.3
United Kingdom	0.5	–	–	–	1.7	5.5	7.7
Finland	0.5	0.3	–	–	–	6.3	7.1
Norway	0.5	–	–	–	3.4	2.3	6.2
Denmark	0.2	–	–	–	2.2	2.4	4.8
Germany	1.4	–	–	0.4	2.0	0.9	4.7
Poland	3.1	–	–	–	–	–	3.1
The Netherlands	–	–	–	–	2.4	0.2	2.6
Spain	–	–	–	–	0.9	1.7	2.6
Belgium	–	–	–	–	0.7	0.2	0.9
Switzerland	–	–	–	–	0.2	0.3	0.5
Luxembourg	0.0	–	0.0	–	0.0	0.4	0.4
Ireland	–	–	–	–	–	0.4	0.4
Latvia	–	–	–	–	0.2	–	0.2
Iceland	–	–	–	–	–	0.2	0.2
Italy	–	–	–	–	–	0.1	0.1
Russia	–	–	–	–	–	0.1	0.1
Estonia	–	–	–	–	0.1	–	0.1
Austria	–	–	–	–	0.0	–	0.0
Hungary	–	–	–	–	–	0.0	0.0
Total	**14.0**	**0.3**	**0.0**	**0.4**	**16.3**	**21.0**	**52.0**

Corporate exposures, broken down by industry (GICS)

	December 31, 2018		December 31, 2017	
Skr mdr	**Gross exposure**	**Net exposure**	**Gross exposure**	**Net exposure**
IT and telecom	79.6	13.0	88.4	12.9
Industry	46.9	41.0	41.9	36.4
Finance	27.6	16.6	32.2	19.9
Commodities	24.5	19.0	21.9	16.8
Consumer goods	21.8	20.4	18.3	15.9
Electricity, water and gas	15.0	5.6	14.1	4.4
Healthcare	3.5	3.2	3.0	2.7
Energy	2.5	0.5	2.9	0.7
Other	0.2	0.2	–	–
Total	**221.6**	**119.5**	**222.7**	**109.7**

Market risk

Market risk is the risk of loss or changes in future NII due to changes in, for example, interest rates, exchange rates, commodity prices or share prices. Market risk includes price risk in connection with sales of assets or the closing of exposures.

Risk management

SEK's Board establishes SEK's market risk appetite and its strategy. In addition, instructions established by the CEO regulate SEK's management of market risks. The Board's Finance and Risk Committee makes decisions on limit structures, which clearly define and limit the permissible exposure to net market risk. The Chief Risk Officer decides on the method for determining how market risks are to be calculated and proposes changes in limit structures in connection with reviews of risk appetite and limits. All instructions are re-established annually. Market risk exposures are measured and reported on a daily basis to the CEO, and the Board's Finance and Risk Committee at scheduled meetings. Cases where limits are exceeded are escalated without delay to the CEO, and the Board's Finance and Risk Committee.

SEK borrows funds by issuing bonds or other debt instruments which, regardless of the market risk exposures in the bonds, are hedged by being swapped via derivatives to a floating interest rate. The Company's risk appetite for market risk resulting from unmatched cash flows is low. Borrowed funds are used either immediately for lending, mainly at floating interest rates, or alternatively through derivatives at a floating rate, or to ensure that SEK has adequate liquidity in the form of liquidity investments and liquidity reserves. The aim is to hold assets and liabilities to maturity.

The duration of available borrowing matches that of lending and the maturity profile of liquidity investments is adapted to ensure that funds are available for all accepted but as yet undisbursed lending.

Unrealized changes in fair value affect the value of SEK's assets and liabilities and impact the volatility of both earnings and SEK's own funds. SEK's largest net exposures are to changes in spread risk, mainly to credit spreads associated with assets and liabilities and to cross-currency basis swap spreads. Spread risks are managed by having established limits and daily limit monitoring.

Risk measurement

The following describes how SEK calculates and limits market risk internally. For the impact on earnings and other comprehensive income due to the interest-rate risk, see the table on page 117. Additional factors, such as different sensitivity calculations regarding the impact on economic value, earnings, equity and own funds, as well as a number of stress tests, are measured and reported but are not subject to limits. The CIRR-system has been excluded since the government compensates SEK for all interest-rate differentials, borrowing costs and net foreign-exchange losses within the CIRR-system (see Note 1).

Value at Risk

SEK's primary market risk metric is Value at Risk (VaR). VaR is a statistical market risk metric that estimates the potential loss with a defined level of likelihood. In other words, for a given period of time and confidence level the VaR states a loss threshold value that will not be exceeded as a result of changes in the financial markets.

The VaR model is based on historical simulations in which historic market movements are applied to current holdings to simulate possible outcomes of value changes. Market parameters used as risk factors are interest rates, cross-currency basis spreads, credit spreads, currencies, equities, indices and commodities as well as volatilities of swaptions, caps/floors, equities, commodities and currencies. The VaR calculation is based on two years of historic daily market movements. Further historical data from December 2006 is used to calculate stressed VaR, in which several periods with extreme market movements are included, and a worst-case VaR outcome for the entire period can be identified. Stressed VaR is based on one year of historical daily data.

VaR is calculated for SEK's portfolio and separately for the liquidity portfolio for positions recognized at fair value in the balance sheet that impact own funds, with the exception of changes due to credit spreads on SEK's own debt. Currency positions are also included for all of these positions. At year-end, VaR for own funds amounted to Skr 14 million (year-end 2017: 20) and for the liquidity portfolio VaR was Skr 8 million (year-end 2017: 9). The risk appetite for corresponding exposures is Skr 100 million and Skr 50 million respectively.

Aggregated risk measure

The aggregated risk measure is based on analyses of historical scenarios with a monthly risk horizon. The scenarios are updated each month and comprise historical movements in risk factors from the entire period from the end of 2006 until today. The aggregated risk measure estimates the impact on SEK's equity by applying historically observed movements in the market factors that affect the volatility of SEK's equity. The exposure, which is based on the worst case scenario, is evaluated using SEK's portfolio sensitivities to interest-rate risk, cross-currency basis swap risk, credit spread risk in assets and currency risk. The limit is also based on the worst case scenario, which at the close of 2018 was a scenario based on market movements from October 2008. The risk at year-end 2018 amounted to Skr 742 million (year-end 2017: Skr 582 million). The risk appetite is set at Skr 1,100 million (year-end 2017: Skr 1,100 million).

Risk-specific measures

The VaR, aggregated risk measure and stress tests are complemented with risk-specific measures, including specific interest-rate-risk measures, spread-risk measures, currency-risk measures, etc.

The measurement and limiting of interest-rate risk in SEK is divided into two categories:

- Interest-rate risk regarding changes in the economic value of SEK's portfolio (EVE)
- Interest-rate risk regarding changes in future net interest income (NII).

Market risk, type	Definition	Risk profile
Value at Risk	VaR measures a potential negative impact on SEK's equity, in the form of unrealized gains or losses, as a result of value changes from historical market movements. Daily historic movements with a two-year horizon are applied to current holdings to simulate possible outcomes. The fifth worst outcome is reported as VaR.	The risk factors that primarily drive VaR at total level are cross-currency basis spreads and interest rates. In SEK's liquidity portfolio, the primary driver is the bond portfolio credit spread risk. VaR for SEK and the liquidity portfolio amounted to Skr 14 million (year-end 2017: Skr 20 million) and Skr 8 million (year-end 2017: Skr 9 million) at the end of 2018. Risk appetite were Skr 100 million and Skr 50 million respectively.
Aggregated risk measure	The aggregated risk measure measures a potential negative impact on SEK's equity as a result of value changes from historical market movements. Monthly market movements dating back as far as 2006 are applied to current holdings to simulate possible outcomes. The worst outcome is reported as the aggregated risk measure.	The risk factors primarily driving aggregated risk measures are credit spreads and interest rates followed by cross-currency basis spreads and exchange rates. Since aggregated risk measures are based on historical market data from 2006, the measure is not comparable with VaR but is comparable with stressed VaR (see above). At the end of 2018, the aggregated risk measure amounted to Skr 742 million (year-end 2017: 582). Risk appetite was Skr 1100 million (year-end 2017: 1100).
Interest-rate risk regarding changes in the economic value of SEK's portfolio (EVE)	The interest-rate risk regarding changes in economic value is calculated by means of a 100 basis-point parallel shift in all yield curves. Positive and negative exposures are measured separated and whichever is largest, in absolute terms, comprises the exposure.	The risk pertains to SEK's overall business profile, particularly the balance between interest-bearing assets and liabilities in terms of volume and fixed interest terms. The risk measurement captures the long-term impact of changes in interest rates. At the end of 2018, the risk amounted to Skr 188 million (year-end 2017: Skr 223 million). Risk appetite were Skr 500 million (year-end 2017: Skr 500 million).
Interest-rate risk regarding changes in future net interest income (NII)	The net interest income risk within one year is calculated as the impact on net interest income for the coming year if new financing and investment must take place following a positive interest-rate shift of 100 basis points. For each stress test, the risk per currency is totaled in absolute terms.	The risk pertains to SEK's overall business profile, particularly the balance between interest-bearing assets and liabilities in terms of volume and fixed interest terms for the next year. The risk measurement captures the short-term impact of changes in interest rates. A shared limit of Skr 350 million is set for NII risk together with risk to NII from cross-currency basis swaps and, at the end of 2018, the combined exposure for NII risk including risk to NII from cross-currency basis swaps was Skr 237 million.
Risk to NII from cross-currency basis swaps	The 12-month risk to NII from cross-currency basis swaps is measured as the impact on SEK's future earnings resulting from an assumed cost increase for transfers between currencies for which cross-currency basis swaps are used. For each stress test, the risk per currency is totaled in absolute terms.	The risk is attributable to cases where borrowing and lending are not matched in terms of currency and, therefore, the future cost (change in the cross-currency basis spread) of converting borrowing to the desired currency is dependent on cross-currency basis swaps. The risk is primarily attributable to Swedish kronor, because SEK has a deficit of Swedish kronor and borrows funds in other currencies, which are swapped into Swedish kronor. A shared limit of Skr 350 million is set for risk to NII from cross-currency basis swaps together with NII risk and, at the end of 2018, the combined exposure for NII risk including risk to NII from cross-currency basis swaps was Skr 237 million.
Credit spread risk in assets	Credit spread risk in assets is calculated as a potential impact on SEK's equity, in the form of unrealized gains or losses, as a result of a 100 basis-point shift in the credit spreads for those assets measured at fair value.	The risk is attributable to bonds in liquidity investments, including liquidity reserves, credit derivatives that hedge the credit risk in a number of bonds, and securitizations. At the end of 2018, the credit spread risk in assets was negative Skr 297 million (year-end 2017: negative Skr 210 million) and the credit spread risk limit in assets amounted to Skr 500 million (year-end 2017: Skr 500 million).
Credit spread risk in own debt	Credit spread risk in own debt can have a potential impact on SEK's equity, in the form of unrealized gains or losses, as a result of changes in present value after all of SEK's credit spreads have been reduced by 20 basis points.	The risk is attributable to SEK's structured debt measured at fair value. At year-end 2018, the credit spread risk in own debt amounted to Skr 606 million (year-end 2017: Skr 601 million) and the credit spread risk in own debt limit was Skr 1,000 million (year-end 2017: Skr 1,000 million).
Cross-currency basis spread risk.	The cross-currency basis spread risk measures the potential impact on SEK's equity, in the form of unrealized gains or losses, as a result of changes in cross-currency basis spreads.	The risk is attributable to cross-currency basis swaps used by SEK to hedge the currency risk in the portfolio. At year-end 2018, the cross-currency basis swap risk amounted to Skr 212 million (year-end 2017: Skr 161 million) and the cross-currency basis swap risk limit amounted to Skr 450 million (year-end 2017: Skr 450 million).
Currency risk	The risk is calculated as the change in value of all foreign currency positions at an assumed 10 percentage-point change in the exchange rate between the respective currency and the Swedish krona.	The foreign exchange position excluding unrealized changes in fair value is reported separately since SEK's hedging strategy entails that only foreign exchange positions excluding unrealized changes in fair value are to be hedged. The foreign exchange position mainly arises on an ongoing basis due to differences between revenues and costs (net interest margins) in foreign currency. Currency risk excluding unrealized changes in fair value is kept low by matching assets and liabilities in terms of currencies or through the use of derivatives. In addition, accrued gains and losses in foreign currency are regularly converted to Swedish kronor. At the end of 2018, the risk amounted to Skr 8 million (year-end 2017: Skr 2 million) and the limit for currency risk was Skr 15 million (year-end 2017: Skr 15 million).
Other risks (equities, commodity and volatility risks)	These are attributable to structured borrowing and are calculated with the aid of stress tests of underlying equity indices or volatility.	SEK's equities and commodity risks, as well as FX volatility risks, only arise from structured borrowing. The structured borrowing is hedged by being swapped to floating interest rates. While all structured cash flows are matched through a hedging swap, there could be an impact on earnings. This is because measurement of the bond takes account of SEK's own credit spread, while the swap is not affected and also because of changes in expected maturity for the structured borrowing. Interest-rate volatility risk also arises from other transactions with early redemption options. These risks are calculated and limited. At the end of 2018, these risks and limits were low.

Stress tests

SEK conducts regular stress tests by applying movements in market factors that have been historically observed in the market place (historical scenarios) and movements that could happen in the future (hypothetical or forward-looking scenarios). Analyses of this type provide management with insight into the potential impact on SEK's operations of significant movements in risk factors, or of broader market scenarios, and also continuously ensure that the risk measurement is effective.

Risk monitoring

Market risks are measured, analyzed and reported to the Company's management on a daily basis. Cases where limits are exceeded are escalated without delay and managed pursuant to documented instructions. A more exhaustive analysis is conducted each month of how markets and risks have developed during the period and complemented with stress tests based on a number of historical scenarios.

Risk information

For a supplementary and expanded account of the market risk-related information, refer to the separate risk report, "SEK — Capital Adequacy and Risk Management Report — Pillar 3."

Change in value should the market interest rate rise by one percentage point

Impact on the value of assets and liabilities, including derivatives, should the market interest rate rise by one percentage point (+1%).

	2018			2017		
Skr mn	Total	of which, financial instruments measured at fair value through profit or loss	of which, financial instruments measured at fair value through other comprehensive income	Total	of which, financial instruments measured at fair value through profit or loss	of which, financial instruments measured at fair value through other comprehensive income
Foreign currency	59	258	0	17	326	-21
Swedish kronor	-174	95	0	-188	109	-1
	-115	**353**	**0**	**-171**	**435**	**-22**

Change in value should the market interest rate decline by one percentage point

Impact on the value of assets and liabilities, including derivatives, should the market interest rate decline by one percentage point (-1%).

	2018			2017		
Skr mn	Total	of which, financial instruments measured at fair value through profit or loss	of which, financial instruments measured at fair value through other comprehensive income	Total	of which, financial instruments measured at fair value through profit or loss	of which, financial instruments measured at fair value through other comprehensive income
Foreign currency	-29	-272	0	-4	-348	22
Swedish kronor	216	-92	0	274	-110	18
	187	**-364**	**0**	**270**	**-458**	**40**

Assets, liabilities and derivatives denominated in foreign currency

Assets, liabilities and derivatives denominated in foreign currency (meaning currencies other than Swedish kronor) have been translated to Swedish kronor using the exchange rates applying at year end between the currency concerned and Swedish kronor.

The relevant exchange rates for the currencies representing the largest shares in the Group's net assets and net liabilities in the balance sheet were as shown in the table below (expressed in Swedish kronor per unit of the particular foreign currency). Share at year end is the share of the total volume of assets and liabilities denominated in foreign currency. Currency positions at year-end are the net for each currency of all assets and liabilities in the balance sheet. The figures shown are carrying amounts.

	December 31, 2018			December 31, 2017		
Currency	Exchange rate	Share at year end, %	Currency positions at year end (Skr mn)	Exchange rate	Share at year end, %	Currency positions at year end (Skr mn)
SKR	1	94	n.a.	1	93	n.a.
EUR	10.2626	1	-165	9.8255	2	-429
USD	8.9674	1	188	8.1950	1	289
JPY	0.08120	1	-185	0.07281	1	-216
GBP	11.3683	1	-133	11.0704	1	-133
CHF				0.4167		
MXN					1	-137
THB	0.2755	1	-120			
Other		1	282		1	-168
Total foreign currency position		**100**	**-133**		**100**	**-794**

Currency risk is limited to accrued net income and is hedged regularly. In accordance with SEK's rules for risk management, currency positions attributable to unrealized changes in fair value are not hedged. Currency positions excluding unrealized changes in fair value amounted to Skr 0 million (year-end 2017: Skr 6 million) at year end. Assets and liabilities denominated in foreign currency are included in the total volumes of assets and liabilities in the following amounts (in millions of Swedish kronor).

Skr mn	December 31, 2018	December 31, 2017
Total assets,	302,033	264,392
of which, denominated in foreign currencies	*216,355*	*201,371*
Total liabilities,	283,794	246,818
of which, denominated in foreign currencies	*229,880*	*202,166*

Liquidity risk and refinancing risk

Liquidity and refinancing risk is defined as the risk of SEK not being able to refinance its outstanding loans and committed undisbursed loans, or being unable to meet increased liquidity requirements. Liquidity risk also includes the risk of having to borrow funds at unfavorable interest rates or needing to sell assets at unfavorable prices in order to meet payment commitments.

Risk management

SEK's Board has overall responsibility for liquidity and refinancing risks and establishes policy documents for liquidity risk management; in addition, the CEO establishes instructions for operational management. Liquidity risk is managed operationally by the Treasury function. Liquidity and refinancing risk is measured and reported regularly to the relevant manager, the Risk and Compliance Committee, the CEO, and the Board and its committees.

SEK has low tolerance for long-term structural liquidity risk and financing must be available throughout the maturity for all credit commitments, pertaining to both outstanding and committed undisbursed loans. For CIRR-loans, which SEK manages on behalf of the Swedish government, the Company's credit facility with the Swedish National Debt Office is also regarded as available borrowing. The credit facility, granted by the government through the Swedish National Debt Office, amounted to Skr 125 billion in 2018 (2017: Skr 125 billion) and is available solely for CIRR-loans. In December 2018, the state established that the credit facility for 2019 will amount to Skr 125 billion. The credit facility is valid through December 31, 2019 and entitles SEK to receive financing over the maturities of the underlying CIRR-loans. This credit facility has not been utilized.

Borrowed funds not yet used to finance credits must be invested in interest-bearing securities, also known as liquidity investments. The management of liquidity investments is regulated in the Liquidity Strategy established by the Board's Finance and Risk Committee. The size of the liquidity portfolio is adapted to cover outflows, outside the CIRR-system, attributable to: 1) committed undisbursed loans, 2) CSAs with derivative counterparties, 3) outflows attributable to short-term borrowing transactions and 4) budgeted new lending. The target for SEK's new lending capacity is to facilitate at least four months of new lending, in line with SEK's estimated new lending requirements.

The maturity profile of liquidity investments is matched against the net of borrowing and lending. Investments must be made in assets of good credit quality. Issuers in the liquidity portfolio must have an internal risk classification of at least A-. For commercial paper and corporate bonds, however, an internal risk classification of at least BBB- is permissible as long as the remaining maturity does not exceed one year and the domicile is in Sweden, Denmark, Finland, Norway or Germany. Such investments should take into account the liquidity of the investment under normal market conditions and the investment's currency must comply with established guidelines. SEK intends to hold these assets to maturity and only divest them should circumstances so demand. The liquidity reserve, in which only securities regarded as highly liquid are included, accounts for a portion of SEK's liquidity investments. The purpose of the liquidity reserve is to safeguard SEK's short-term solvency, and to fulfil the Company's requirement for the lowest liquidity coverage ratio (LCR).

SEK's borrowing strategy is regulated in the Financing Strategy Policy, which is established by the Board's Finance and Risk Committee. The aims of the Financing Strategy include ensuring that SEK's borrowing is well-diversified in terms of markets, investors, counterparties and currencies. With regard to maturity, no refinancing risk is allowed. For the purpose of ensuring access to short-term funding, SEK has revolving borrowing programs for maturities of less than one year, including a US Commercial Paper Program (UCP) and a European Commercial Paper program (ECP). SEK also has a swingline facility that functions as a back-up facility for SEK's revolving borrowing program for maturities of less than one year. To secure access to substantial volumes of non-current borrowing, and to ensure that insufficient liquidity or investment appetite among individual borrowing sources does not constitute an obstacle to operations, SEK issues bonds with different structures, currencies and maturities. SEK also issues bonds in many different geographic markets.

SEK has a contingency plan for the management of liquidity crises, which is issued by the Head of Treasury & Capital Management. The plan describes what constitutes a liquidity crisis according to SEK and what actions SEK intends to take if such a crisis is deemed to have occurred. The plan also describes the decision-making structure during a liquidity crisis. An internal and external communication plan is also included. The contingency plan is also closely linked to the results of the scenario analyses that are performed regularly, whereby various actions are taken to increase the release of cash and cash equivalents that have been analyzed with a preventive purpose.

Risk measurement

In the short term, liquidity risk is monitored mainly through measurement of the liquidity coverage ratio (LCR), which shows SEK's highly liquid assets in relation to its net cash outflows for the next 30 calendar days. Cash-flow forecasts of up to one year are prepared regularly according to various scenarios. SEK's policy for long-term structural liquidity risk is not to accept refinancing risk. Forecasts are made of the relationship between borrowing, including equity, and lending over time. A net stable funding ratio (NSFR) is also estimated. The NSFR measures the volume of available stable funding in relation to the need of stable funding within a period of 1 year. SEK also performs regular liquidity stress tests.

Risk monitoring

Liquidity risk is monitored through regular analysis and reporting to the Board of Directors and the Treasury function. Monthly reports are submitted to the Board and cover monitoring of LCR, NSFR, internal metrics, portfolio composition and liquidity stress tests. Daily monitoring of liquidity risk in the form of cash-flow forecasts are reported to the Treasury function.

Risk information

For a supplementary and expanded account of the liquidity and refinancing risk-related information, refer to the separate risk report, "SEK-Capital Adequacy and Risk Management Report-Pillar 3".

Liquidity reserve[1] at December 31, 2018

Skr bn	Total	SKR	EUR	USD	Other
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	12.2	1.5	3.8	6.5	0.4
Securities issued or guaranteed by municipalities or other public entities	7.8	5.3	2.5	–	–
Covered bonds issued by other institutions	3.0	3.0	–	–	–
Balances with other banks and National Debt Office, overnight	0.3	0.3	–	–	–
Total Liquidity Reserve	**23.3**	**10.1**	**6.3**	**6.5**	**0.4**

[1] The liquidity reserve is a part of SEK's liquidity investments.

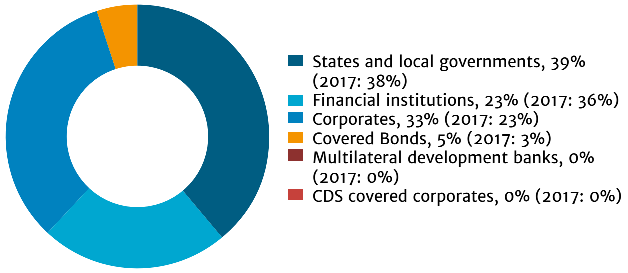
Liquidity investments by remaining maturity ("M")

	December 31, 2018	December 31, 2017
M ≤ 1 year	74%	84%
1 year < M ≤ 3 years	26%	16%
M > 3 years	0%	0%

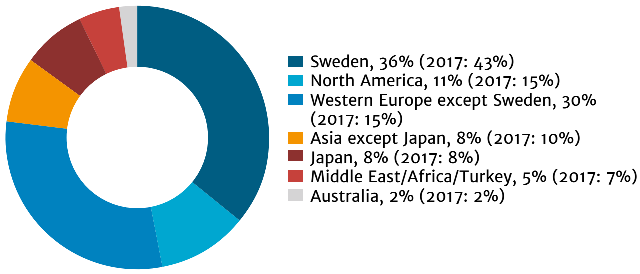
Key figures for liquidity risk

	December 31, 2018	December 31, 2017
LCR under Swedish FSA rules		
Total	n.a.	505%
EUR	n.a.	3,064%
USD	n.a.	557%
LCR under EU Commission's delegated act		
Total	266%	169%
NFSR	**144%**	**140%**

Liquidity investments by exposure type as of December 31, 2018



Liquidity investment by region at December 31, 2018



Contractual flows

	December 31, 2018							
Skr mn	Due ≤ 1 month	Due 1 month ≤ 3 months	Due 3 months ≤ 1 year	Due 1 year ≤ 5 years	Due > 5 years	Total cash flow	Discounting effect	Carrying amount
Financial assets								
Cash and cash equivalents	2,042	–	–	–	–	**2,042**	374	2,416
Treasuries/government bonds	1,444	6,613	1,717	1,357	–	**11,131**	-14	11,117
Other interest-bearing securities except loans	9,262	16,699	8,340	14,818	–	**49,119**	-454	48,665
Loans in the form of interest-bearing securities	-492	646	3,165	27,835	8,668	**39,822**	-3,041	36,781
Loans to credit institutions	124	3,096	15,458	7,843	1,996	**28,517**	-792	27,725
Loans to the public	3,999	9,963	27,271	87,564	48,718	**177,515**	-16,421	161,094
Derivatives	261	518	1,138	2,311	1,858	**6,086**	443	6,529
Total	**16,640**	**37,535**	**57,089**	**141,728**	**61,240**	**314,232**	**-19,905**	**294,327**
of which derivatives in hedge relationship	*429*	*594*	*2,912*	*9,782*	*5,601*	**19,318**	*-1,964*	*17,354*

	December 31, 2018							
Skr mn	Due ≤ 1 month	Due 1 month ≤ 3 months	Due 3 months ≤ 1 year	Due 1 year ≤ 5 years	Due > 5 years	Total cash flow	Discounting effect	Carrying amount
Financial liabilities								
Borrowings from credit institutions	1	-567	-1,690	–	–	**-2,256**	9	-2,247
Debt securities issued	-6,946	-33,541	-66,570	-145,134	-26,565	**-278,756**	23,156	-255,600
Derivatives	-99	-1,064	-1,095	-4,721	-343	**-7,322**	-14,612	-21,934
Total	**-7,044**	**-35,172**	**-69,355**	**-149,855**	**-26,908**	**-288,334**	**8,553**	**-279,781**
of which derivatives in hedge relationship	*-14*	*-2,934*	*-41,276*	*-119,575*	*-11,799*	**-175,598**	*12,426*	*-163,172*
Obligations								
Committed undisbursed loans	-142	-2,743	-15,177	-20,279	38,340			
Liquidity surplus (+)/ deficit (-)	**9,454**	**-380**	**-27,443**	**-28,406**	**72,672**	**25,897**		
Accumulated liquidity surplus (+)/deficit (-)	**9,454**	**9,074**	**-18,369**	**-46,775**	**25,897**	**25,897**		

In addition to the instruments in the Statement of Financial Position and committed undisbursed loans, SEK has outstanding binding offers of Skr 0.7 billion as well as additional available funds consisting of a credit facility with the Swedish National Debt Office of Skr 125 billion for 2018, which can be used within the CIRR-system. With regard to deficit in cash flow with maturity between three months and five years, SEK has the intention to refinance these through borrowing on the financial market.

Repayments subject to notice for liabilities and hedging derivatives are treated as if notice were to be given immediately, whether it is SEK or the counterparty that has the right to demand early redemption. Assets with repayments subject to notice are assumed to occur on the maturity date. "Subordinated liabilities" which consists of a dated subordinated instrument, were assumed be repaid at the time of the first redemption date. Embedded derivatives in financial assets and liabilities have been excluded. Forward prices are used for contracts with variable interest rate structure, except for contracts that have reached the fixing date in which case the interest rate is used.

For a contract with a fixed-interest rate structure, the interest rate has been applied for the entire tenor. When a contract has been structured and uses an interest-rate formula, a plain vanilla setup has been adopted and forward rates applied. The conservative scenario using the prudence concept for cash flows for liabilities and hedging derivatives is not likely to be the real outcome. Differences between book values and future cash flows for financial assets and financial liabilities are reported in the column "Discount effect".

Cash flows for cash collateral under derivatives' CSAs are assumed to have the same cash flows as the related derivatives.

The following items other than financial instruments have an approximate expected recovery time of less than 12 months: other assets; prepaid expenses; accrued revenue; other liabilities; accrued expenses and prepaid revenue. All other balance-sheet items other than financial instruments have an approximate expected recovery time of 12 months or more.

The amounts above include interest, except for committed undisbursed loans.

Skr mn	Due ≤ 1 month	Due 1 month ≤ 3 months	Due 3 months ≤ 1 year	Due 1 year ≤ 5 years	Due > 5 years	Total cash flow	Discounting effect	Carrying amount
	December 31, 2017							
Financial assets								
Cash and cash equivalents	1,231	–	–	–	–	**1,231**	–	1,231
Treasuries/government bonds	767	1,093	985	1,536	–	**4,381**	1	4,382
Other interest-bearing securities except loans	3,305	8,670	22,630	5,547	–	**40,152**	-345	39,807
Loans in the form of interest-bearing securities	314	1,451	6,789	24,151	11,574	**44,279**	-3,154	41,125
Loans to credit institutions	210	9,973	3,479	7,417	2,907	**23,986**	-788	23,198
Loans to the public	4,764	7,230	24,147	76,541	43,362	**156,044**	-14,933	141,111
Derivatives	309	1,069	1,165	2,801	2,687	**8,031**	-228	7,803
Total	**10,900**	**29,486**	**59,195**	**117,993**	**60,530**	**278,104**	**-19,447**	**258,657**

Skr mn	Due ≤ 1 month	Due 1 month ≤ 3 months	Due 3 months ≤ 1 year	Due 1 year ≤ 5 years	Due > 5 years	Total cash flow	Discounting effect	Carrying amount
	December 31, 2017							
Financial liabilities								
Borrowings from credit institutions	40	-2,368	–	–	–	**-2,328**	11	-2,317
Debt securities issued	-1,832	-24,648	-48,126	-136,112	-34,095	**-244,813**	22,297	-222,516
Derivatives	-70	-1,227	-667	-658	236	**-2,386**	-14,094	-16,480
Subordinated liabilities	–	–	-2,049	–	–	**-2,049**	9	-2,040
Total	**-1,862**	**-28,243**	**-50,842**	**-136,770**	**-33,859**	**-251,576**	**8,223**	**-243,353**
Obligations								
Committed undisbursed loans	-696	-3,649	-17,753	-14,013	36,111			
Liquidity surplus (+)/ deficit (-)	**8,342**	**-2,406**	**-9,400**	**-32,790**	**62,782**	**26,528**		
Accumulated liquidity surplus (+)/deficit (-)	**8,342**	**5,936**	**-3,464**	**-36,254**	**26,528**	**26,528**		

Operational risk

Operational risk is the risk of losses resulting from inadequate or faulty internal processes or systems, human error, or from external events. Operational risk also includes legal risk and IT and security risk.

Risk management

Operational risk exists in potentially all functions within SEK. The managers of all the various SEK functions have a responsibility for effective management of operational risk within their own function. To support operational risk management, SEK works in compliance with policy documents in accordance with SEK's risk framework. The risk function is responsible for monitoring, analyzing and reporting aggregated risk levels, and for monitoring the appropriateness and efficiency of the Company's operational risk management. The Risk and Compliance Committee is responsible for monitoring operational risk. The Risk function reports to the Risk and Compliance Committee and to the Board's Finance and Risk Committee.

Risk measurement

SEK measures and reports operational risk levels at least each quarter. The risk level is based on an assessment of expected loss from risks with a high rating, the scope of losses due to incidents over the past four quarters and whether any breaches of rules related to the operations requiring permits have occurred. SEK uses the standardized approach in calculating the capital requirement for operational risk.

Risk monitoring

SEK's work on operational risk is conducted at all levels of the organization to ensure that the Company is able to identify and reduce risk. All risk-related events are registered in an IT-based incident-reporting system. The fundamental cause is analyzed and actions are then taken to prevent a recurrence. By means of the new product approval process (NPAP), SEK prevents the Company from unknowingly taking on risks that the company is unable to manage. The functions perform regular self-assessments of the operations in order to identify and reduce major risks. The self-assessments and the subsequent analysis are coordinated with business planning and the internal capital assessment. The Risk function carries out aggregated monitoring and analysis of the risks and action plans, as well as of significant operational risk events.

Risk information

For a supplementary and expanded account of the operational risk related information, refer to the separate risk report, "SEK-Capital Adequacy and Risk Management Report-Pillar 3."

Sustainability risk

Sustainability risk is the risk that SEK's operations directly or indirectly impact their surroundings negatively in respect of ethics, corruption, climate and the environment, human rights and labor conditions. Human rights includes the child rights perspective, labor conditions encompasses gender equality and diversity. Ethics is included in tax transparency.

Risk management

Sustainability risks are managed according to a risk-based approach and SEK only engages in transactions for which SEK has conducted know your customer activities. SEK's measures to manage sustainability risks are subject to national and international regulations and guidelines, along with the state's ownership policy and guidelines for state-owned companies, SEK's owner instruction, pertaining to anti-corruption, climate and environmental consideration, human rights and labor conditions. Based on international sustainability guidelines, SEK sets requirements on the operations and projects the Company finances in order to mitigate negative environmental and societal impacts.
The international guidelines pursued by SEK are described in Sustainability Note 4.

Risk measurement

- In connection with new business opportunities, the potential sustainability risks are identified and assessed at country, counterparty and transaction level. Country — Countries are classified according to the risk of corruption, negative impact on human rights including labor conditions and the risk of money laundering, financing of terrorism and non-transparent tax jurisdiction.
- Counterparty — Checks are conducted as part of know your customer, including checks of ownership and checks against international sanction lists, as well as whether the counterparty has been involved in significant sustainability-related incidents.
- Transaction — Projects and project-related financing are classified based on their potential societal and environmental impact according to the OECD's framework for export credits or the Equator Principles. Category A projects have a potentially material impact, category B projects potentially have some impact, and category C projects have little or no potential impact. Other business transactions are analyzed to assess the risk of corruption, negative environmental or climate impact, negative effects on human rights and labor conditions and the risk of money laundering, financing of terrorism and non-transparent tax jurisdiction.

Elevated sustainability risk

The sustainability risk is considered to be elevated in the following cases:

- Category A and B project and project-related financing
- Lending for coal mines and coal-fired power, as well as other fossil energy extraction with significant carbon dioxide emissions
- Raised corruption risk or increased risks for negative impact on human rights as follows

Raised corruption risks:

- defense and construction industries in complex markets
- major projects with public buyers in complex markets
- exporters who use agents in an underlying transaction in complex markets
- suspicion of a chain of business transactions where amounts/quantities in countries with particularly high corruption risk

Increased risks for negative impact on human rights as follows:

- mining operations in complex markets
- conflict areas
- telecom operators in countries under repressive, authoritarian rule
- countries in which human rights are at especially high risk

A complex market is defined as countries with either a high risk of corruption or a high risk of negative impact on human rights.

Managing elevated sustainability risk

An in-depth sustainability review is performed in cases of elevated sustainability risk. The extent and form of the review depends on the scope of the financing, the level of the identified risks and SEK's ability to influence the situation. Where necessary, societal and environmental conditions are included in loan agreements, and site visits may be included as part of an evaluation. In the case of deviations from international standards or other deficient management of sustainability risks, the counterparty is required to take actions to rectify this.

Risk monitoring

Sustainability risk is monitored through regular analysis and reporting to the Board of Directors. Project or project-related funding with an identified elevated sustainability risk is monitored via continuous incident searches and via checks of compliance with the agreement's sustainability clauses. In the monitoring, one transaction during the year, which is not project or project-related, was found to have not undergone risk identification prior to credit approval.

Risk information

See Sustainability Note 8.

Note 28. Transactions with related parties

SEK defines related parties to the Parent Company as:

- the shareholder, i.e. the Swedish government
- companies and organizations that are controlled through a common owner, the Swedish government
- subsidiaries
- key management personnel
- other related parties

SEK defines related parties to the Group as:

- the shareholder, i.e. the Swedish government
- companies and organizations that are controlled through a common owner, the Swedish government
- senior executives
- other related parties

The Swedish government owns 100 percent of the Company's share capital. By means of direct guarantees extended by the Swedish National Debt Office and the Swedish Export Credits Guarantee Board, EKN, 40 percent (Year-end 2017: 35 percent) of the Company's loans outstanding on December 31, 2018 were guaranteed by the Swedish government. The remuneration to EKN for the guarantees paid by SEK during 2018 amounted to Skr 0 million (2017: Skr 2 million). SEK administers, in return for compensation, the Swedish government's system for officially supported export credits (CIRR system), and the government's previous concessionary credits system, refer to Note 1 and Note 25.

In 2018, SEK had a Skr 125 billion (2017: Skr 125 billion) credit facility with the Swedish National Debt Office which was entirely related to the CIRR-system. In December 2018, the credit facility was extended for 2019. SEK has not yet utilized the credit facility.

SEK enters into transactions in the ordinary course of business with entities that are partially or wholly owned or controlled by the State. SEK also extends export credits (in the form of direct or pass-through loans) to entities related to the State. Transactions with such counterparties are conducted on the same terms (including interest rates and repayment schedules) as transactions with unrelated parties. The Group's and the Parent Company's transactions do not differ significantly. Internal transactions between the Parent Company and the subsidiaries amount to Skr - million (2016: Skr - million) for interest expenses from the Parent Company's point of view. For further information see Note 1 (b), Basis of consolidation and Note 15, Shares.

Key management personnel include the following positions:

- The Board of Directors
- The Chief Executive Officer
- Other executive directors

For information about remuneration and other benefits to key management personnel see Note 5, Personnel expenses.

Other related parties include close family members of key management personnel as well as companies which are controlled by key management personnel of SEK or controlled by close family members to key management personnel.The following tables further summarize the Group's transactions with its related parties:

	2018					
	The shareholder, the Swedish government		Companies and organizations controlled through a common owner, the Swedish government		Total	
Skr mn	**Assets/ liabilities**	**Interest income/ interest expense**	**Assets/ liabilities**	**Interest income/ interest expense**	**Assets/ liabilities**	**Interest income/ interest expense**
Treasuries/government bonds	103	0	–	–	103	0
Other interest-bearing securities except loans	–	–	6,847	-24	6,847	-24
Loans in the form of interestbearing securities	–	–	1,699	19	1,699	19
Loans to credit institutions	–	–	2,623	77	2,623	77
Loans to the public	–	–	2,582	53	2,582	53
Settlement claim against State[1]	3,915	–	–	–	3,915	–
Total	**4,018**	**0**	**13,751**	**125**	**17,769**	**125**
Debt securities issued	–	–	–	1	–	1
Other liabilities	18	–	–	–	18	–
Total	**18**	**–**	**–**	**1**	**18**	**1**

	2017					
	The shareholder, the Swedish government		Companies and organizations controlled through a common owner, the Swedish government		Total	
Skr mn	**Assets/ liabilities**	**Interest income/ interest expense**	**Assets/ liabilities**	**Interest income/ interest expense**	**Assets/ liabilities**	**Interest income/ interest expense**
Treasuries/government bonds	401	4	–	–	401	4
Other interest-bearing securities except loans	–	–	5,933	-27	5,933	-27
Loans in the form of interestbearing securities	–	–	2,198	18	2,198	18
Loans to credit institutions	–	–	2,607	52	2,607	52
Loans to the public	–	–	2,989	37	2,989	37
Settlement claim against State[1]	3,309	–	–	–	3,309	–
Total	**3,710**	**4**	**13,727**	**80**	**17,437**	**84**
Other liabilities	125	–	–	–	125	–
Total	**125**	**–**	**–**	**–**	**125**	**–**

1 For information about "Settlement claim against State," see Note 16 Other assets and Note 25 CIRR system.

Note 29. Events after the reporting period

In order to increase the focus on customers, SEK has made certain organizational changes.
Three new roles were created: Executive Vice President, Strategic Partnerships and Relationships; Chief Financial Officer (CFO); and Head of Business Development, Business Support and Transformation. This stage of organizational changes became effective on January 1, 2019.

Hélène Westholm chose to leave the Board of Directors of SEK (the "Board") after approximately one year of service, effective January 31, 2019. On January 31, 2019, the Board determined that Hanna Lagercrantz will be a Board observer (Sw: adjungerad ledamot) until her election to the Board, which is expected to occur at the next Annual General Meeting on March 28, 2019.

Sustainability notes

Contents

Note 1. Information about the Sustainability Report

Sustainability Report in accordance with the Swedish Annual Accounts Act

SEK's Sustainability Report is integrated into the company's annual report. The sustainability information is integrated together with other information in the Report of the Directors, financial statements and notes and sustainability notes. For a description of the business model, see pages 16-17. Policy and the results of policy can be found in sustainability notes 4–8, Note 27 and Targets and outcomes. A description of sustainability risks can be found in the risk section, Note 27, and in the sustainability notes 5–8. The result indicators can be found in Targets and outcome, Key performance indicators, and in the sustainability notes 5 and 9.

GRI

SEK's Sustainability Report pertains to the 2018 calendar year and has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option. The report also applies the relevant sections of the GRI Sector Supplement for Financial Services. The complete GRI index with selected indicators for material topics is provided on pages 130-131.

SEK's latest Sustainability Report for SEK covered the 2017 calendar year and was published in February 2018.

Scope and boundaries of the Sustainability Report

SEK's Sustainability Report comprises the entire Group. SEK reports on its governance and management of social and environmental risks in its lending in accordance with the GRI's Sector Supplement for Financial Services. Accounting policies pertaining to individual indicators are stated in conjunction with the reporting of the respective indicator. For more information, please contact SEK's Head of Sustainability.

The Swedish Banking and Financing Business Act regulates the reporting of information relating to individual transactions. SEK plays an active part in the development of increased transparency in the banking sector regarding sustainability topics. SEK applies international guidelines for transparency regarding lending. The guidelines that are mainly relevant to SEK are the Equator Principles and the "Task Force on Climate-related Financial Disclosures" for transparency regarding project-related financing and climate-related risks in lending.

Precautionary principle

SEK follows the precautionary principle with sustainability risks comprising a risk type within the Group's risk framework.

Changes in the Sustainability Report

The 2018 Sustainability Report contains two changes. Climate-related risks in the lending portfolio are reported on a aggregated level and special sustainability notes have been added to the Annual Report to enable more in-depth sustainability information in accordance with GRI and to clarify the sustainability information. No significant changes were made for the reporting period regarding material sustainability topics contained in the report.

Ahead of the 2018 Sustainability Report, the management made adjustments regarding how SEK's stakeholders are grouped. "Team Sweden" and "the Owner" were organized under the "Swedish government (owner)" stakeholder group. "Investors and banks" became two different stakeholder groups; "Rating agencies" was removed as a stakeholder group because they were deemed to represent "investors", which are already listed as a stakeholder group. See Sustainability Note 2.

No significant restatements were made of information provided in previous reports.

Policy for external assurance

In accordance with the owner policy, external assurance is provided by the company's auditors.

Note 2. Stakeholders

Stakeholders are the groups or individuals who affect or are affected by SEK's operations. SEK's most central stakeholder groups are identified by SEK's Management in conjunction with an annual review and establishment of SEK's materiality analysis according to GRI. The stakeholder groups represent the various forms of capital that are important for and which are affected by SEK's business model. See page 16-17.

Stakeholder dialogue 2018

In 2018, a new employee survey and a customer survey were conducted. The most important expectations regarding sustainability topics derived from these surveys are shown on the table on the next page.

During the year, SEK, together with EKN, invited Swedish representatives of the civil organizations, Amnesty, Diakonia, Save the Children, Swedwatch, the Swedish Society for Nature Conservation, and World Wildlife Foundation to provide information about the Swedish export credit system and listen to their expectations regarding climate issues. A large part of the discussions pertained to how the export credit system could be transparent and proactive on climate issues. In earlier years, it was mainly human rights that were discussed with the civil organizations.

SEK operates a working group for human rights in cooperation with Business Sweden, EKN and Swedfund. Within the framework of the tasks of this working group, a dialog was conducted with a representative of the UN Guiding Principles on Business and Human Rights. The objective was to understand the UN's expectations of financiers' role in terms of human rights. The Swedish export credit system's work on human rights was given a generally positive assessment by the representative, who also out that Sweden has progressed further than other countries. Accordingly, the representative was of the opinion that the export credit system should now also highlight good examples that demonstrate that business and consideration for human rights can be combined.

Stakeholder analysis

The table shows the stakeholders identified by the management as the most significant, how the dialog with them is conducted and what topics they highlighted as important for SEK to prioritize. The general expectations recorded in the table are a considered assessment of stakeholder dialogs conducted in prior years with the addition of the subjects brought up in 2018.

Stakeholders	Dialog form	Key topics in 2018	General expectations
Swedish government (owner)	Owner policy, mission, owner instruction, Board representation, regular discussions and meetings, and network meetings.	Intensified focus on Agenda 2030.	Behave responsibly and leverage business opportunities leading to generate sustainable value. Collaborate with other government players within "Team Sweden".
Swedish exporters	Customer meetings, client survey, sustainability topics questionnaire and delegations.	More proactive financial solutions within Team Sweden for Swedish exports to environmental projects and sustainable urban development.	Distinct and reasonable sustainability requirements. Proactive efforts to finance measures to reduce the impact of climate change.
Investors	Meetings, conferences, investor presentations and financial statements.	Increased demand for green bonds and bonds related to Agenda 2030.	Collaboration on sustainability topics. Issue of green bonds and bonds links to the global Sustainable Development Goals.
NGOs and civil society	Meetings, questionnaire on sustainability topics and reports.	Highlight positive Swedish examples in the area of human rights. Remain active in credits where sustainability problems arise and work to turn the trend around. Increase transparency for credits related to fossil-based operations.	Behave responsibly and transparently.
Employees	Discussions, meetings, employee survey and workplace dialogues with trade unions.	Coaching approach, possibilities for development and clear responsibility.	Good work environment, development opportunities, engaging duties and responsible behavior.

Note 3. Materiality analysis

SEK employs a combination of internal and external factors to determine what sustainability topics are most material and what information should therefore be included in the Sustainability Report. These factors include SEK's mission and sustainability-related circumstances, topics highlighted by stakeholders, societal expectations and SEK's influence on suppliers and clients.

Method

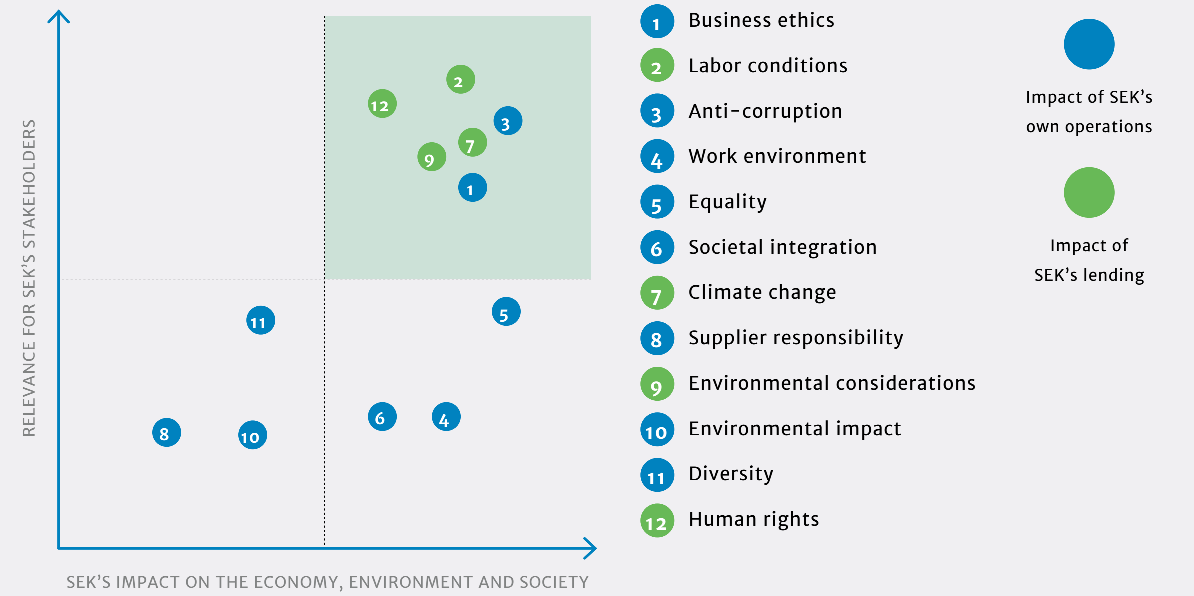
SEK defines potential sustainability topics based on the circumstances under which SEK operates and on the stakeholder dialogue. SEK's management then assigns priority to the material sustainability topics. This prioritization is agreed on the basis of what is deemed reasonable based on SEK's impact on the economy, environment and society, the stakeholders' expectations, as well as SEK's ability to act. SEK reports the results of sustainability work on the material topics based on the Global Reporting Initiative's (GRI) guidelines.

Prior to the 2018 Sustainability Report, the following changes were made to the materiality analysis:

- The climate change was deemed to have a relatively larger significance for both the stakeholders and SEK's business.
- The sustainability topic "transparent reporting" was removed because transparency is the purpose of the report and not an individual sustainability topic.

The diagram below illustrates SEK's most material sustainability topics and their relationship with each other. For a description of the material sustainability topics, see sustainability notes 5–8.

Materiality analysis 2018



Note 4. Management approach

Owner

The owner's governance of sustainability is executed through the state's ownership policy and owner instruction, and through the Articles of Association, the general meeting of shareholders, the Board and the CEO.

As set out in the state's ownership policy, as a state-owned company, SEK is to set a positive example for sustainable business, which primarily means that SEK is to:

- work strategically, integrate the topics in its business strategy and adopt strategic sustainability targets
- work transparently in matters concerning material risks and opportunities and maintain an active dialog with the company's stakeholders in society
- work together with other companies and relevant organizations
- comply with international guidelines in the area of sustainability.

According to the owner instruction, SEK shall:

"...promote compliance with international guidelines within the area of sustainable business relating to the environment, anti-corruption, human rights, labor conditions and business ethics. Where relevant when making credit assessments, comply with international frameworks, such as the OECD's Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence or the Equator Principles, and observe the OECD's Recommendation of the Counsil on Sustainable Lending Practises and Officially Supported Export Credits."

The Board of Directors

The Board of Directors is ultimately responsible for ensuring that active and forward-looking sustainable development work is conducted within the company. The Board resolves on a sustainability strategy and goals in conjunction with the business plan and risk strategy, which include addressing sustainability risks. The Board continuously monitors and evaluates SEK's sustainability work.

International sustainable business guidelines

The international sustainability guidelines that govern SEK's operations are the following: The Equator Principles, the Ten Principles in the UN Global Compact, the UN Guiding Principles on Business and Human Rights, the UN Convention on the Rights of the Child, the OECD Guidelines for Multinational Enterprises, the OECD's Conventions and Guidelines within Anti-corruption, the OECD's Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence, and the OECD's Recommendation of the Counsil on Sustainable Lending Practises and Officially Supported Export Credits.

Organization and division of responsibility

The executive management controls and decides on priorities and strategic choices relating to sustainability work in accordance with the approved business strategy. To integrate and focus its sustainability work, SEK established a sustainability forum in 2018, which meets regularly. The sustainability forum is a working group of representatives from throughout the operation, with the principal assignment of coordinating sustainability work between the functions in SEK. SEK's Head of Sustainability is Chairman of the forum.

Policy documents

SEK has a Sustainable Business Policy. This includes, for example, SEK's material topics; anti-corruption and business ethics, environmental and climate impact, as well as labor standards and human rights, see each respective note. For a complete description of SEK's Sustainability Policy and policy documents that address sustainability topics, see www.sek.se.

Networks in sustainable business

Through collaboration with different organizations, SEK can share experience and discuss challenges and solutions for various sustainability-related issues. SEK participates in the following networks:

- Sustainable business network for state-owned companies
- The Equator Principles
- The OECD's working groups for Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence.
- ICC Sweden's CSR reference group
- UN Global Compact's Nordic network

Note 5. Anti-corruption and business ethics

Active anti-corruption work and business ethics in international trade and export financing are important components in stopping economic crimes and creating conditions for sustainable growth in the world. As a government financier, SEK has a key role to play in placing demands and ensuring that international guidelines, see Sustainability Note 4, are followed by companies using export financing and by its own employees. All lending is evaluated regarding corruption risks. Risk situations are undergoing in depth-analysis.

Risk situations

Risk situations for corruption may arise in conjunction with SEK's lending to:

- Defense and construction industries in complex markets
- Larger projects with official buyers in complex markets
- An exporter who uses an agent in an underlying transaction in complex markets
- Business transactions with large transaction chains and in which amounts are changed

A complex market is defined as countries with a high risk of corruption or high risk of human rights violations.

Policy

SEK complies with Swedish bribery legislation and international initiatives that aim to fight corruption and other financial crime and comply with anti-corruption legislation in the countries and jurisdictions in which the company operates. SEK follows the Code on Gifts, Rewards and other Benefits in Business as compiled by the Swedish Anti-corruption Institute.

Business decisions are to be made on business grounds and no gift or representation is to be provided that could be perceived as improper or entailing some form of expected service in return.

No form of extortion or bribery, including improper offers of payments to or from employees, organizations or public officials is tolerated. Any such behavior may lead to legal action as well as the termination of employment, assignment or business relationship.

Risk appetite

For lending in complex markets, the exporters or other market participants covered by the financing must have the capacity to manage corruption risks in line with international guidelines.

2018 Outcome:

New transactions were implemented in the following countries that are classified as complex markets: Iraq, Russia and Turkey. All of these transactions are deemed to comply with international anti-corruption guidelines.

Activities in 2018

An update of SEK's anti-corruption policy documents was completed.

Note 6. Environmental and climate impact

International business can entail both risks and opportunities for the environment and the climate. As a government financier, SEK has a key role to play in ensuring compliance with environmental consideration in international financing. SEK also has a responsibility to mobilize financing for Swedish exports of quality and environmental expertise in the world and to reduce the direct environmental impact from its own operations.

Risk situations

Risk situations for environmental and climate impact may arise in conjunction with SEK's lending to:

- Project-related financing
- Coal mines and coal-fired power, as well as other fossil energy extraction with significant carbon dioxide emissions (climate-related risks).

Policy

SEK refrains from participating in transactions where the environmental impact is deemed unacceptable and inconsistent with international guidelines.

SEK will contribute to the transition to a low-carbon economy by striving to increase lending on products and services that lead to sustainable development. As long as it is technically possible and financially reasonable, SEK will reduce its direct environmental impact from its own operations.

Uncertainty in measurement methods

All climate data is associated with a degree of uncertainty, which is attributable to scientific uncertainty regarding the measurement methods as well as uncertainties surrounding the data that the measurement methods are applied to. This applies particularly to the measurement of indirect environmental impact from loans, where SEK relies on project data and information prepared and supplied by the exporter. Uncertainty also exists vis-à-vis SEK's share of financed projects, which is based on assumptions by SEK.

Environmental considerations in project-related financing

See Sustainability Note 8.

Climate-related risks

Climate-related risks may entail both financial risks for SEK and risks for the climate.

Financial risks may occur in the form of transition risk on SEK's assets. Transition risk is defined as non-physical climate-related risks that can impact the value of assets and the borrower's possibility to generate cash flows. Risks include climate-related legislative and regulatory changes, raised climate-related taxes, changed production and consumption patterns, and new technology as well as climate-related reputational risks. SEK could potentially be exposed to credit losses if climate-related transition risks are not managed by the debtor.

The indirect negative climate impact of SEK's lending is the total gross lending on fossil-based assets.

The ongoing risk reporting to the Board includes a scenario analysis that estimates SEK's transition risk exposure and the impact of expected credit losses for various scenarios. The outcome of the scenario analysis shows limited impact of climate-related risks for SEK's financial risks.

For more information about the scenarios used in the analysis, see SEK's 2018 Pillar III report.

Risk appetite

Lending for coal-fired power is not permitted. In exceptional cases, loans may be offered if they are aimed at environmental improvement measures. Gross lending to fossil operations (coal, oil and gas) should be less than 5 percent of SEK's total lending.

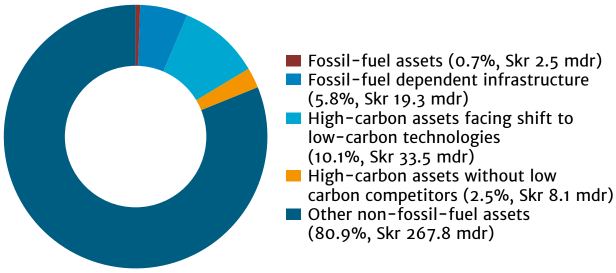
2018 Outcome

There was no new financing of coal-fired power. Total gross lending to fossil operations is less than 1 percent.

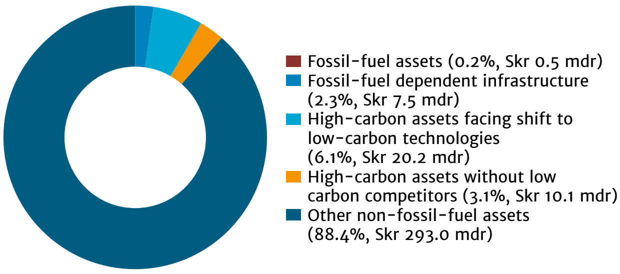
SEK's gross- and net exposure to Carbon Asset classes

A compilation of SEK's gross and net exposure to Carbon asset classes is shown below. The method for classifying exposures in SEK's lending portfolio that is sensitive to climate-related risks is based on the sector term "*Carbon Asset Risks*" developed by the World Resources Institute (WRI). Four different "*Carbon Asset Risks*" are related to GICS codes in SEK's counterparty register.

SEK:s gross exposures per Carbon Asset classes, December 31, 2018



SEK:s net exposures per Carbon Asset classes, December 31, 2018



Green financing

SEK issues green loans that promote the transition to a low-carbon economy. Green loans are categorized as dark green or light green. Dark green loans are classified under SEK's framework for green bonds and financed using SEK's green bonds. The reduction in carbon dioxide emissions is estimated for the dark green loans. Light green loans finance products or services that lead to significant and demonstrable progress toward the goal of sustainable development, either through a reduction in environmental impact or through more efficient use of resources. The classification of light green loans is based on the EU's definition of ECO innovation.

SEK's framework for green bonds contains eight categories with certain further limitations. SEK's framework for green bonds can be found at www.sek.se

2018 Outcome

The table below shows SEK's new lending of green loans, green bonds and yearly carbon dioxid reduction from green projects. The decrease of green loans was mainly due to a decreased volume of export credits during 2018.

Method for calculating the CO_2 reduction from green loans

SEK measures the indirect environmental impact of green loans, in terms of emissions, based on the method stated in the International Financial Institution Framework for a Harmonized Approach to Greenhouse Gas Accounting, November 2012 and in accordance with SEK's Framework for Green Bonds, September 2014. The estimated reduction in reported carbon dioxide emissions is based on calculations received by SEK from project owners, exporters or from environmental reports prepared in connection with the project. The estimates are prepared on a project basis, using the year when the project was completed, and are reported in proportion to SEK's share of the total project financing.

Skr mn	**2018**	**2017**	**2016**	**2015**	**2014**
New lending green loans	2 044	2,385	3,334	988	–
Total volume of green bonds issued	-	–	–	4,176	–
Annual carbon dioxide reductions from green projects (tons of CO_2e)	>4,615,000	>4,615,000	>4,638,000	>4,137,000	–

Environmental and climate impact from offices and travel

SEK's direct climate and environmental impact primarily derives from SEK's office in Stockholm and business travel. The direct impact is not classified as a material sustainability topic based on the materiality analysis.

SEK works actively with environmental issues in the procurement of products and services. SEK's travel policy stipulates that any business travel must be motivated and use the most cost-efficient and eco-friendly method possible. Transportation should be chosen so as to minimize environmental impact. Where possible, only The Swan (Nordic ecolabel) hotels are used in Sweden. In 2018, the carbon footprint from business travel decreased. Renewable energy sources are used to heat SEK's offices. Since 2008, when SEK started to measure the climate impact of its own operations, electricity and heat consumption has decreased by around 37 percent. All paper consumed has "EU Ecolabel" or Swan ecolabel.

Method for measuring direct environmental and climate impact

Reporting of the direct environmental effects, in terms of emissions from SEK's operations, are measured according to the GHG Protocol. The method states how the various emissions should be categorized and ranked based on SEK's share of the emissions source. The GHG Protocol categorizes emissions according to three scopes with control declining as scope increases. Data for company cars has been gathered by reporting mileages, for electricity and district heating from reading and for couriers through statistics on deliveries. Data for business travel has been received from travel agents and standard values have been applied for material and commuting. Climate reporting for SEK's own operations utilizes the number of annual full-time equivalents (FTEs) at the end of the year, which was 238 for 2018.

Climate impact of our operations in tons of CO_2e	**2018**	**2017**	**2016**	**2015**	**2014**
Total GHG emissions	520	553	502	614	767
of which business travel	*438*	*477*	*426*	*486*	*628*
of which premises	*34*	*26*	*25*	*75*	*93*
of which other	*48*	*50*	*51*	*53*	*46*
Direct GHG emissions scope 1	16	16	15	15	24
Indirect GHG emissions energy usage scope 2	33	25	25	74	85
Other indirect greenhouse gas emissions scope 3	471	513	462	525	658
Emissions per employee	2.18	2.21	1.96	2.33	3.18
Status after carbon offset of emissions	0	0	0	0	0
Energy consumption, premises (MWh)	1, 447	1,216[1]	1,322	1,420	1,515
of which electricity	*1, 189*	*984*	*1,139*	*1,169*	*1,344*
of which district heating	*258*	*232*[1]	*183*	*251*	*171*

1 The value for 2017 has been updated.

Note 7. Labor standards and human rights

Respect for labour standards and human rights in international business is a requirement for sustainable growth in the world. As a government financier, SEK has a key role in setting requirements vis-à-vis exporters' compliance with the UN Guidelines for Companies and Human Rights, the OECD Guidelines for Multinational Enterprises and, for projects in project-related financing, OECD's Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence or the Equator Principles.

Risk situations

Risk situations for negative impact on human rights may arise in lending to:

- Major projects (refer to project-related financing, Sustainability Note 8)
- Mining operations in complex markets
- Operations in or exports to operations in areas of conflict
- Telecom in countries under repressive, authoritarian rule
- Operations in or export to countries in which human rights are at especially high risk

A complex market is used to describe countries with a high risk of corruption or high risk of human rights violations.

Policy

SEK applies the UN Guiding Principles on Business and Human Rights, including the ILO Core Conventions. When doing business in areas of conflict and countries and industries at particularly high risk of breaches of human rights, these are given particular attention. In such instances, SEK can demand that companies conduct a consequence analysis regarding human rights. Particular consideration is needed when there is a risk of the violation of children's rights.

SEK refrains from any transactions where a considerable risk exists that human rights will not be respected, and where SEK assesses that the risks will not be managed in line with the UN Guiding Principles on Business and Human Rights.

Risk appetite

For lending in complex markets, the exporters or other market participants covered by the financing must have the capacity to manage human rights risks in line with international guidelines.

2018 Outcome

New transactions were implemented in the following countries that are classified as complex markets: Iraq, Russia and Turkey. All of these transactions are deemed to comply with international guidelines on human rights.

Activities in 2018

An update of SEK's Human rights policy documents was completed.

Development work for human rights in export promotion is continuing in an working group in cooperation with Business Sweden, EKN and Swedfund.

During the year, SEK conducted its first operation-wide risk analysis of human rights, which was presented to the executive management in December 2018.

Note 8. Project-related financing

In the financing of international projects, risk situations can arise in all material sustainability topics. SEK applies the Equator Principles to manage sustainability risks in conjunction with project-related financing or the OECD's Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence.

The Equator Principles and the OECD's Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence are based on the sustainability standards of the International Finance Corporation (IFC), which must have been met or are expected to be met for project-related financing.

SEK is a member of and participates in the development work on the Equator Principles.

Risk appetite

In project-related financing, the company must handle risk by complying with the Equator Principles or the OECD's Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence.

For existing transactions that no longer align with SEK's risk appetite, SEK will based on the opportunities available take measures to influence and to report deviations to the Board.

2018 Outcome

New project-related lending transactions in 2018 are deemed to comply with the Equator Principles or the OECD's Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence.

During the year, 3 out of a total of 54 existing projects were reported to the Board which were potentially outside SEK's risk appetite. Measures were undertaken, including through site visits. In 2018, SEK granted one A-project in Europe, two B-projects in Europe and three B-projects in America. For a definition of A/B/C projects and a complete report submitted to the Equator Principles' secretariat, refer to www.sek.se

Project-related financing	2018	2017	2016	2015	2014
Percentage of new lending subjected to environmental and societal review, including human rights and labor conditions	100%	100%	100%	100%	100%
Loans granted to category A projects (number)	1	2	1	2	5
Loans granted to category B projects (number)	5	4	5	3	5

Note 9. Economic and societal effects of SEK's lending in Sweden

SEK's lending has indirect impacts in Sweden, including GDP growth and jobs created by export transactions. The decreased indirect impact calculated in 2018 was due to decreased lending volumes.

Method

The indirect impact of SEK's new lending on Sweden's GDP and employment is calculated using sector-based multipliers developed by Statistics Sweden, according to the SNI 2007 standard. The multipliers on which the calculations are based date from 2013. The multipliers are scheduled to be updated in 2019. This model calculates the Swedish content in an export order or in an investment. SEK finances many different types of transactions and not all of them necessarily fit this model precisely. These calculations can therefore only be made at a general level and the results should be interpreted with caution.

Indirect impact	2018	2017	2016	2015	2014
Contribution to Sweden's GDP (Skr mn)	36 000	51,000	33,000	36,000	35,000
Contribution to jobs in Sweden (number)	48 000	65,000	44,000	48,000	47,000

Note 10. GRI content index

Standards and disclosures that SEK reports in its Annual Report and 2018 Sustainability Report in accordance with the Global Reporting Initiative standards and Sector Supplement for Financial Services, are listed below. As part of SEK's participation in the UN Global Compact (UN GC) we are submitting our Communication on Progress for 2018 below. A statement of continued support for the UN GC can be found in the statement by the CEO section on page 6.

In addition to reporting in line with the GRI Standards and the UN GC, reports on activities within the framework of the UN's Sustainable Development Goals and the Fossil Free Sweden initiative. See sustainability notes 11 and 12.

Standard Disclosure	Content	Page number	UN GC principle
GRI 102: GENERAL DISCLOSURES 2018			
102-1	Name of the organization	Page 62	
102-2	Activities, brands, products and services	Pages 18–19	
102-3	Location of headquarter	Page 62	
102-4	Location of operations	Page 62	
102-5	Ownership and legal form	Page 43	
102-6	Markets served	Pages 18–19,24–25,114	
102-7	Scale of the organization	Pages 32–35, 62,83	
102-8	Information on employees and other workers	Page 29,83	
102-9	Supply chain	Page 29	
102-10	Significant changes to the organization and its supply chain	No significant changes	
102-11	Precautionary principle or approach	Page 124	
102-12	External initiatives	Page 43	
102-13	Membership of associations	Page 126	
102-14	Statement from senior decision-maker	Pages 6–7, 42	
102-15	Key impacts, risks and opportunities	Pages 8–9,14, 40–41, 124–129	
102-16	Values, principles, standards and norms of behavior	Page 49,126	
102-17	Mechanisms for advice and concerns about ethics	Page 49	
102-18	Governance structure	Pages 43–49	
102-32	Highest governance body's role in sustainability reporting	Page 126	
102-40	List of stakeholder groups	Page 124–125	
102-41	Collective bargaining agreements	Page 77	
102-42	Identifying and selecting stakeholders	Page 124–125	
102-43	Approach to stakeholder engagement	Page 124–125	
102-44	Key topics and concerns raised	Page 125	
102-45	Entities included in the consolidated financial statements	Page 62	
102-46	Defining report content and topic boundaries	Page 124–125	
102-47	List of material topics	Page 125	
102-48	Restatements of information	Page 124	
102-49	Changes in reporting	Page 124	
102-50	Reporting period	Page 124	
102-51	Date of most recent report	Page 124	
102-52	Reporting cycle	Page 124	
102-53	Contact point for questions regarding the report	Page 124	
102-54	Claims of reporting in accordance with the GRI Standards	Page 124	
102-56	External assurance	Pages 134–136	

Standard Disclosure	Content	Page number	UN GC principle
MATERIAL TOPICS			
GRI 201: ECONOMIC PERFORMANCE 2018			
103-1,103-2,103-3	Management approach	Page 127	
201-2	Financial implications and other risks and opportunities due to climate change	Page 127	
GRI 203: INDIRECT ECONOMIC IMPACTS 2018			
103-1,103-2,103-3	Management approach	Page 12-13	
203-2	Significant indirect economic impacts	Page 129	
GRI 205: ANTI-CORRUPTION 2018			
103-1,103-2,103-3	Management approach	Pages 121-122,126	10
205-1	Operations assessed for risks related to corruption	Pages 121-122,126	10
205-2	Communication and training about anti-corruption policies and procedures	Page 31	10
GRI 302: ENERGY 2018			
103-1,103-2,103-3	Management approach	Pages121-122,128	
302-1	Energy consumption within the organization	Page 128	7, 8, 9
302-4	Reduction of energy consumption	Page 128	
GRI 305: EMISSIONS 2018			
103-1,103-2,103-3	Management approach	Page 127-128	
305-2	Energy indirect (Scope 2) GHG emissions	Page 128	
305-3	Other indirect (Scope 3) GHG emissions	Page 128	
SOCIAL			
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2018			
103-1,103-2,103-3	Management approach	Pages 14,29, 44	3
405-1	Diversity of governance bodies and employees	Page 14,31,83	
GRI 412: HUMAN RIGHTS ASSESSMENT 2018			
103-1,103-2,103-3	Management approach	Pages 27,121-122,129	1, 2, 4, 5, 6
412-3	Credit decisions that have been subject to human rights reviews or impact assessments	Pages 121-122,129	2
GRI G4: SECTOR-SUPPLEMENT FOR FINANCIAL SERVICES			
103-1,103-2,103-3	Management approach	Pages 127-128	
FS6	Lending portfolio broken down by region and sector	Pages 24-25,113-115	
FS8	Products with environmental benefits	Pages 18,28, 31,128	

Not 11. The UN's Sustainable Development Goals

At the UN's summit meeting on September 25, 2015, heads of government of the world's leading countries adopoted 17 Sustainable Development Goals (SDG). SEK adheres to the global Sustainable Development Goals. SEK has chosen to intergrate the SDG's most closely related to its operations together with SEK's strategies, goals and operations, which are set out below.

	SEK's activities			SEK's activities	
13	• Green bonds • Green loans • Reducing the impact of our own operations	• Page 28, 128 • Page 28, 128 • Page 128	10	• Gender equality and diversity plan, and targets	• Page 14, 29
5	• Gender equality and diversity plan, and targets	• Page 14, 29	11	• Green loans • Environmentally certified offices for SEK's operations • Carbon offsetting	• Page 28, 128 • Page 128 • Page 128
8	• Adhere to international guidelines • Contribute to GDP growth in Sweden • Contribute to job opportunities in Sweden	• Page 126 • Page 129 • Page 129	17	• Supports the UN Global Compact • Stakeholder dialogue	• Page 6 • Page 124–125
9	• SEK's mission is to ensure acces to financial solutions for the swedish export industry	• Page 10			

Not 12. The Fossil Free Sweden initiative

The Fossil Free Sweden initiative aims to showcase participants that, trough their operations, contribute to solving climate issues and to reaching the goal of a fossil-free society. In 2016, SEK joined the Fossil Free Sweden initiative and participated in network meetings during the year. The following activities support the initiative.

Fossilfritt Sverige

SEK's activities

- Green loans
- Green bonds
- Own fossil free operations through carbon offsetting

The Board of Directors' signatures

The Board of the Directors and the Chief Executive Officer confirm that the consolidated financial statements and the Parent Company financial statements have been prepared in accordance with International Financial Reporting Standards, IFRS, as issued by the International Accounting Standard Board (IASB) and endorsed by the European Parliament and Council Regulation (EC) No 1606/2002 dated July 19, 2002 and generally accepted accounting principles in Sweden, respectively, and give a true and fair view of the Group's and the Parent Company's financial position and results of operations. The Report of the Directors for the Group and the Parent Company provides a true and fair overview of the Group's and the Parent Company's business activities, financial position and results of operations as well as the significant risks and uncertainties to which the Parent Company and its subsidiaries are exposed.

Stockholm, 21 February 2019

Lars Linder-Aronson
Chairman of the Board

Cecilia Ardström
Board member

Anna Brandt
Board member

Reinhold Geijer
Board member

Hans Larsson
Board member

Eva Nilsagård
Board member

Ulla Nilsson
Board member

Catrin Fransson
Chief Executive Officer

Our audit report on these annual accounts was submitted on February 22, 2018
Öhrlings PricewaterhouseCoopers AB

Peter Nyllinge
Authorized Public Accountant
Principal auditor

Anneli Granqvist
Authorized Public Accountant

Auditor's report

To the general meeting of the shareholders of AB Svensk Exportkredit (publ), Corporate Identity Number 556084-0315

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of AB Svensk Exportkredit (publ) ("SEK") for the year 2018. The annual accounts and consolidated accounts of the company are included on pages 8-133 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the parent company as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. The consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies.

A corporate governance report and sustainability report have been prepared. The statutory administration report, corporate governance report and sustainability report are consistent with the other parts of the annual accounts and consolidated accounts and the Annual Accounts Act for Credit Institutions and Securities Companies.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and the consolidated accounts are consistent with the content of the additional report that has been presented to the Audit Committee of SEK in accordance with the audit regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements and the sustainability report. Our audit also included SEK's sustainability information included in the statutory administrations report and accompanying sustainability notes. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements and the sustainability report as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

As part of our audit we place reliance on internal controls for the applications/systems and related platforms that supports SEK's accounting and financial reporting. Therefore, we perform audit procedures to determine that systems and processes are designed, maintained, operated and kept secure in such a way as to provide assurance that the risk of error is minimized. The audit procedures include walk-throughs of processes and evaluation of design and test of effectiveness of controls. Substantive testing has also been performed. Where possible we have relied on management's own evaluation activities.

Our audit is carried out continuously during the year with special attention at each quarter end. In connection with SEK's issuance of interim reports, we report our observations to the Audit Committee and issue interim review reports. At the end of the year, we also report our main observations to the Board of Directors.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements and the sustainability report are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements and the sustainability report as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Valuation of certain Level 2 and Level 3 financial instruments held at fair value Valuation of financial instruments in level 2 and level 3 was an area of audit focus due to their significance in presenting both financial position and performance in the financial statements. The majority of SEK's assets and liabilities measured at fair value in level 2 and level 3 are held to manage the risks related to SEK's structured funding. Financial instruments held at fair value in level 2 and level 3 utilise to a large extent unobservable inputs for recurring fair value measurements. Such instruments are predominantly based on models and contain certain assumptions that are not observable by third parties. Important areas in valuation of financial instruments held at fair value relate to: • Framework and policies relating to models and valuation; • Internal controls relating to fair value hierarchy, fair value adjustments, price testing and model control & governance; and • Levelling and disclosures of financial instruments Refer to the Annual Report Note 1, Note 13, Note 14 and Note 18	**In our audit, we assessed and tested the design and operating effectiveness of the controls over:** • the identification, measurement and oversight of valuation of financial instruments • fair value hierarchy, fair value adjustments and independent price verification • model control and governance We examined the Company's independent price verification processes, model validation and approval processes, controls over data feeds and inputs to valuation and the Company's governance and reporting processes and controls. For the valuations dependent on unobservable inputs or which involve a higher degree of judgment, we assessed the assumptions, methodologies and models used by the Company. We performed an independent valuation of a sample of positions. We also examined whether the disclosures made in the annual report are appropriate.
Impairment of loans to customers Accounting for impairment of loans to customers require management's judgment over timing of recognition of impairment and the size of any such impairment allowance. SEK makes provisions for expected credit losses (ECL) in accordance with IFRS 9. IFRS 9 categorises loans into three stages depending on the level of credit risk or changes in credit risk for each individual loan. Stage 1 representing a probable 12 month ECL applies to all loans unless there is a significant increase in credit risk since initial recognition. For loans where there is a significant increase in credit risk, stage 2, or loans in default, stage 3, a lifetime ECL is calculated. The ECL is calculated as a function of the probability of default, the exposure at default and the loss given default, as well as the timing of the loss. IFRS 9 also allows for expert credit judgement to be applied to loan loss provisioning. Refer to the Annual Report Note 1 and Note 9	Our audit included a combination of testing of internal controls over financial reporting and substantive testing. The testing of internal controls included procedures relating to the governance structure, segregation of duties and key controls in the lending processes. Our credit modelling experts have performed recalculations for a sample of loans and model outputs in order for us to obtain comfort over the calculated ECL. We have also audited adjustments related to expert credit judgements. We have assessed that rationale exists to account for the adjustments at year-end and we have reviewed minutes of meetings to ensure that the correct governance procedures have been performed. In addition we have audited the financial effects and disclosures related to the implementation of IFRS 9 included in SEKs Annual Report.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-7 and 134-140. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and, concerning the consolidated accounts, in accordance with IFRS, as adopted by the EU and the Annual Accounts Act for Credit Institutions and Securities Companies. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of SEK for the year 2018 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

Öhrlings PricewaterhouseCoopers AB, Torsgatan 21, 113 97 Stockholm, was appointed as the auditor of SEK by the annual general meeting on 24 April 2018, and has been SEK's auditor since 22 March 2017.

Stockholm, 21 February 2019
Öhrlings PricewaterhouseCoopers AB

Peter Nyllinge
Authorised Public Accountant
Auditor in charge

Anneli Granqvist
Authorised Public Accountant

Definitions

A, B and C projects
Projects and project-related financing are classified based on OECD's Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence. Category A projects entail material risks of potential environmental and societal impacts. Category B projects potentially have some impact, and category C projects have little or no potential impact.

After-tax return on equity
Net profit, expressed as a percentage per annum of the current year's average equity (calculated using the opening and closing balances for the report period).

After-tax return on assets
Net profit, expressed as a percentage per annum of the current year's average total assets (calculated using the opening and closing balances for the report period).

Annual carbon dioxide reductions from green projects
Calculated as an annual CO_2 reduction for a normal year when the project is up and running, for more details refer to the calculation principles on pages 128.

Attractive employer
Attractive employer is measured using an index scoring from 0–100 covering the following areas: leadership, workload, stimulating work, development opportunities, equality and freedom from discrimination, bullying and sexual harassment.

Average interest-bearing assets
This item includes cash and cash equivalents, treasuries/government bonds, other interest-bearing securities except loans, loans in the form of interest-bearing securities, loans to credit institutions and loans to the public, and is calculated using the opening and closing balances for the report period.

Average interest-bearing liabilities
This item includes outstanding senior debt and subordinated liabilities and is calculated using the opening and closing balances for the report period.

Basic and diluted earnings per share (Skr)
Net profit divided by the average number of shares, which amounted to 3,990,000 for each period.

C/I ratio
Total operating expenses in relation to net interest revenue, and net fee and commission expense.

CIRR loans as percentage of new lending
The shares of new lending comprised by officially supported export credits.

CIRR-system
The CIRR-system is the Swedish government's system for officially supported export credits (CIRR loan).

Common Equity Tier 1 capital ratio
The capital ratio is the quotient of Common Equity Tier 1 capital and the total risk exposure amount.

COP21
The UN climate change conference held in Paris in 2015. This resulted in a climate agreement under which countries have undertaken to contribute to reducing greenhouse gas emissions.

Climate risk
Climate change leads to climate risks, which can affect physical assets when average global temperatures continue to rise resulting in gradually rising sea levels and increased average rainfall.

Empowerment
Empowerment is measured using an index scoring from 0–100 based on how employees score their ability to contribute to the business on the following points: motivation, willingness, authority and competence.

The Equator Principles
A risk management framework adopted by financial institutions for determining, assessing and managing environmental and societal risk in projects.

Green lending and green loans
SEK' s green lending comprises green loans that promote the transition to a low-carbon economy. The classification is performed by sustainability analysts at SEK. The effects that the loan will give rise to, such as reduced emissions of greenhouse gases, are monitored and reported. The term green project is assigned the same meaning as the term green loan. The green loans are then categorized as dark or light green. Dark green loans are categorized under SEK's framework for green bonds and light green loans finance products or services that lead to significant and demonstrable progress toward the goal of sustainable development, either through a reduction in environmental impact or through more efficient use of resources based on the EU's definition of ECO innovation.

Indirect impact on GDP growth and jobs in Sweden
SEK's lending has indirect impacts in Sweden, including the GDP growth and jobs created by export transactions. The indirect impact of SEK's new lending on Sweden's GDP and employment is calculated using sector-based multipliers developed by Statistics Sweden, according to the SNI 2007 standard. This model calculates the Swedish content in an export order or in an investment. SEK finances many different types of transactions and not all of them necessarily fit this model precisely.

These calculations can therefore only be made at a general level and the results should be interpreted with caution.

Large companies
Companies with annual sales of more than Skr 5 billion.

Leverage ratio
Tier 1 capital expressed as a percentage of the exposure measured under CRR (refer to Note 26).

Liquidity coverage ratio
The liquidity coverage ratio (LCR) is a liquidity metric that shows SEK's highly liquid assets in relation to the company's net cash outflows for the next 30 calendar days. An LCR of 100 percent means that the company's liquidity reserve is of sufficient size to enable the company to manage stressed liquidity outflows over a period of 30 days. Unlike the Swedish FSA's rules, the EU rules take into account the outflows that correspond to the need to pledge collateral for derivatives that would arise as a result of the effects of a negative market scenario.

Loans, outstanding and undisbursed
Lending pertains to all credit facilities provided in the form of interest-bearing securities, and credit facilities granted by traditional documentation. These amounts comprise SEK's real lending. SEK considers these amounts to be useful measurements of SEK's lending volumes. Accordingly, comments on lending volumes in this report pertain to amounts based on this definition (see the Statement of Financial Position and Note 11).

Medium-sized companies
Companies with annual sales of between Skr 500 million and Skr 5 billion, inclusive.

Net stable funding ratio
This ratio measures stable funding in relation to the company's illiquid assets over a one-year, stressed scenario in accordance with Basel III.

New long-term borrowing
New borrowings with maturities exceeding one year, for which the amounts are based on the trade date. In the Consolidated Statement of Cash Flows, amounts are shown based on settlement dates. Differences can occur between these amounts, since trade dates and settlement dates can differ and occur in different reporting periods.

New lending
New lending includes all new committed loans, irrespective of tenor. Not all new lending is reported in the Consolidated Statement of Financial Position and the Consolidated Statement of Cash Flows since certain portions comprise committed undisbursed loans (see Note 24). The amounts reported for committed undisbursed loans may change when presented in the Consolidated Statement of Financial Position due to changes in exchange rates, for example.

Outstanding senior debt
The total of borrowing from credit institutions, borrowing from the public and debt securities issued.

Swedish exporters
Companies that export from Sweden or suppliers of these companies.

System export
Export which entail multi-supplier solution.

Sustainable terms
SEK's mission is to ensure access to financial solutions for the Swedish export industry on commercial and sustainable terms. Sustainable terms is defined as conducting operations in a manner that benefits sustainable development. This means acting responsibly and minimizing the risk of negative impact, and of leveraging opportunities for sustainable value creation.

Tier 1 capital ratio
The capital ratio is the quotient of Tier 1 capital and the total risk exposure amount.

Total capital ratio
The capital ratio is the quotient of total own funds and the total risk exposure amount.

Unless otherwise stated, amounts in this report are in millions (mn) of Swedish kronor (Skr), abbreviated "Skr mn" and relate to the Consolidated Group consisting of the Parent Company and its subsidiaries. The international code for the Swedish currency (SEK) is not used in this report to avoid confusion with the same three-letter abbreviation that has been used to denote AB Svensk Exportkredit since the company was founded in 1962.

AB Svensk Exportkredit (SEK), Swedish corporate identity number 556084-0315, with its registered office in Stockholm, Sweden is a public limited liability company as defined under the Swedish Companies Act. In some instances, a public company is obliged to add "(publ)" to its company name.

SEK

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